

City of Austin

Economic Outlook & General Fund Financial Forecast Presentation

April 20, 2011





City of Austin Financial Forecast

General Fund

April 20, 2011



Today's Presentation

- 2012 Budget Goals
- General Fund Highlights
- Economic Outlook
 - *Jon Hockenyos, Texas Perspectives*
- Financial Forecast – General Fund
 - expenditures
 - revenue
 - key forecast assumptions
- Conclusions and Next Steps



FY 2012 Budget Process Goals

- Earlier Council policy discussions and input at scheduled work sessions during April and May to provide input as City Manager and staff develop budget proposal
- More information made available earlier in the process
 - citizen survey – october
 - results from community focus groups – march
 - horizon issues update – march
 - annual performance report and city dashboard – march
 - unmet service demands report – april
 - all reports available at www.cityofaustin.org/finance



FY 2012 Budget Process Goals

- Multiple Formats for Community Input
 - public meetings
 - citizens survey
 - online budget input tool and message board
 - community focus groups

- More Public Meetings
 - 6 council work sessions
 - 36 boards & commissions meetings
 - 2 budget public hearings
 - 3 utility rate hearings
 - 2 tax rate public hearing

- Data-driven, fact-based approach to budget decisions



General Fund Forecast Highlights

- \$9.8 million shortfall projected in FY 2012
 - reflects 3 cent increase in tax rate – rollback rate
- Focus of forecast is on funding our built-in cost drivers and maintaining current service levels
 - built-in cost drivers increasing due to rising insurance, retirement, and salary costs and full-year funding of positions added in FY 2011
- \$15 million of unmet service demands not included in gap
- Economic recovery projected to continue but risks exist
 - state and federal budget deficits create uncertainty at local level
 - state legislation could impact local revenues



City of Austin Financial Forecast

Economic Outlook

Jon Hockenyos, Texas Perspectives



Austin Economic Forecast

City of Austin

Presented by TXP | Spring 2011

Economic Overview

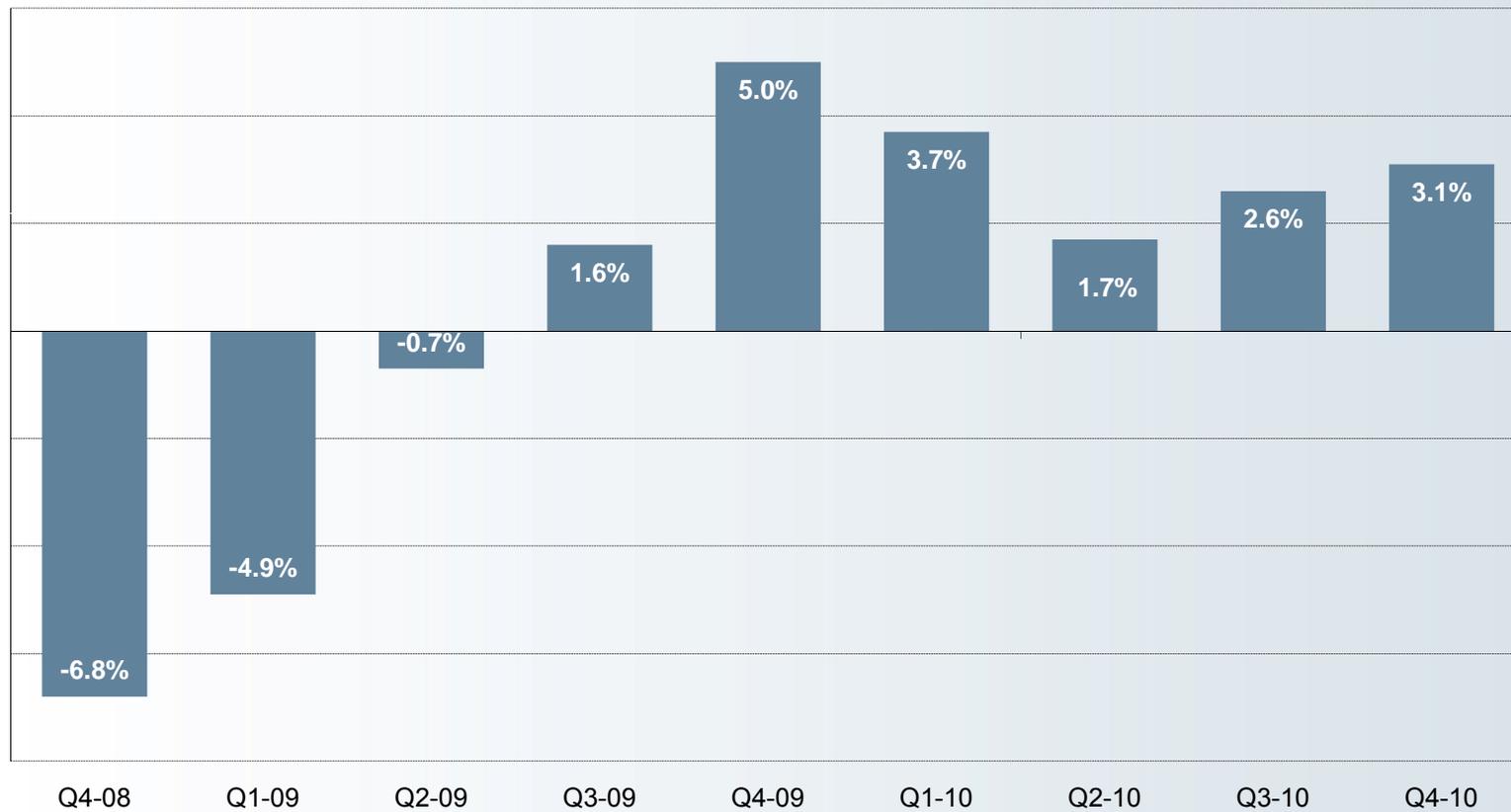
National Situation

- Economy has clearly been in recovery for some time, but a number of issues remain, not the least of which is the impact of conflict and natural disasters.
- Lag in the impact of declining property values, lost jobs, higher energy prices and shaky consumer confidence is being felt across the nation. In many states, borrowing to meet basic needs and structural deficits have made the situation worse. Public sector nationwide will struggle for at least next two years.
- Surging energy prices could accelerate inflation, though real estate values remain a countervailing force. Conventional wisdom is that debt has to yield inflation over time – not for the foreseeable future, but logically down the road.
- Commercial real estate remains a significant “shoe to drop” – should be a restraint on growth for several years.
- Bottom line: better, but still not great, and sustainability is an open question.



Economic Overview

GDP Growth (SAAR)

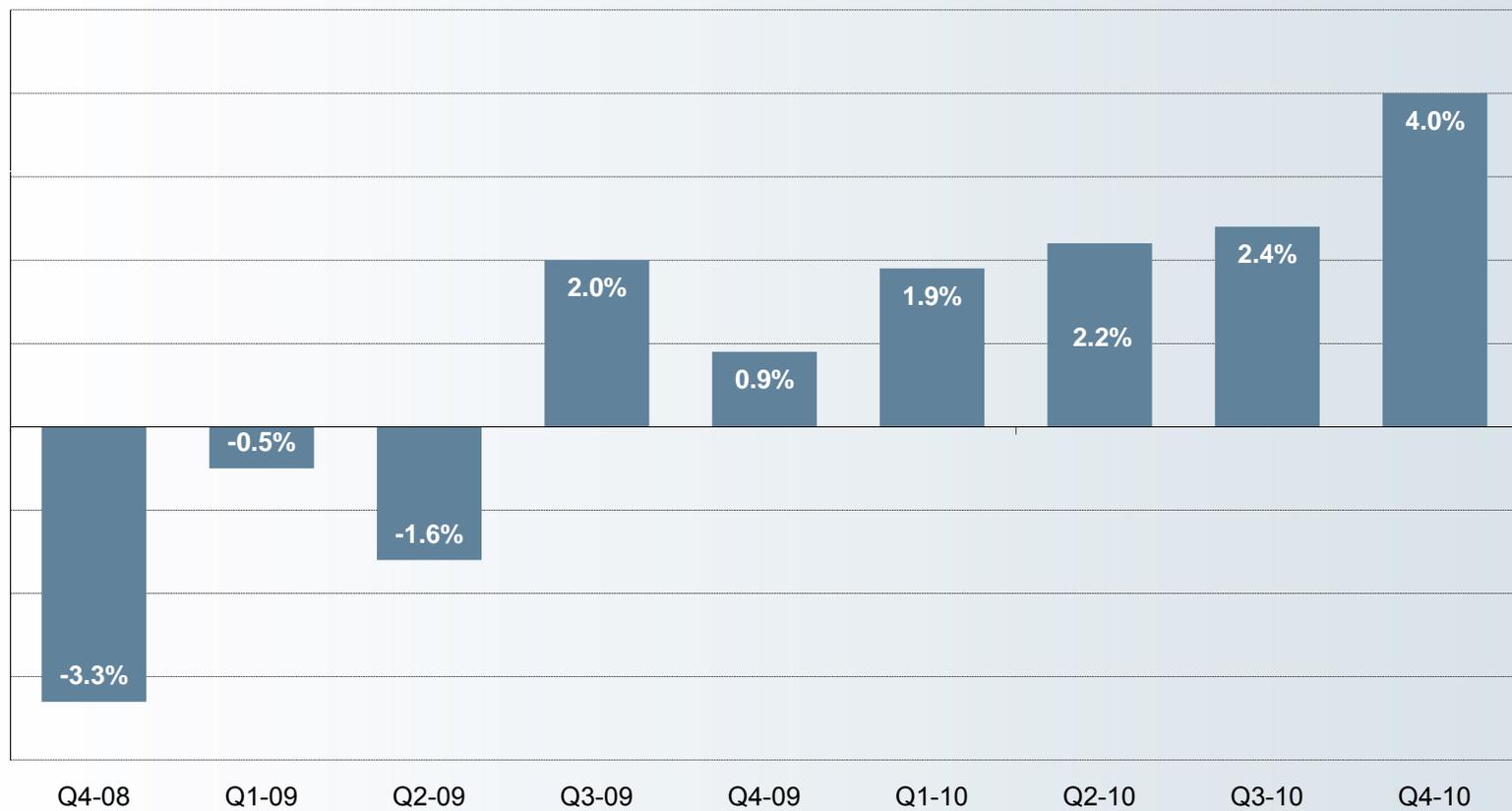


Sources: Bureau of Economic Analysis; TXP



National Indicators

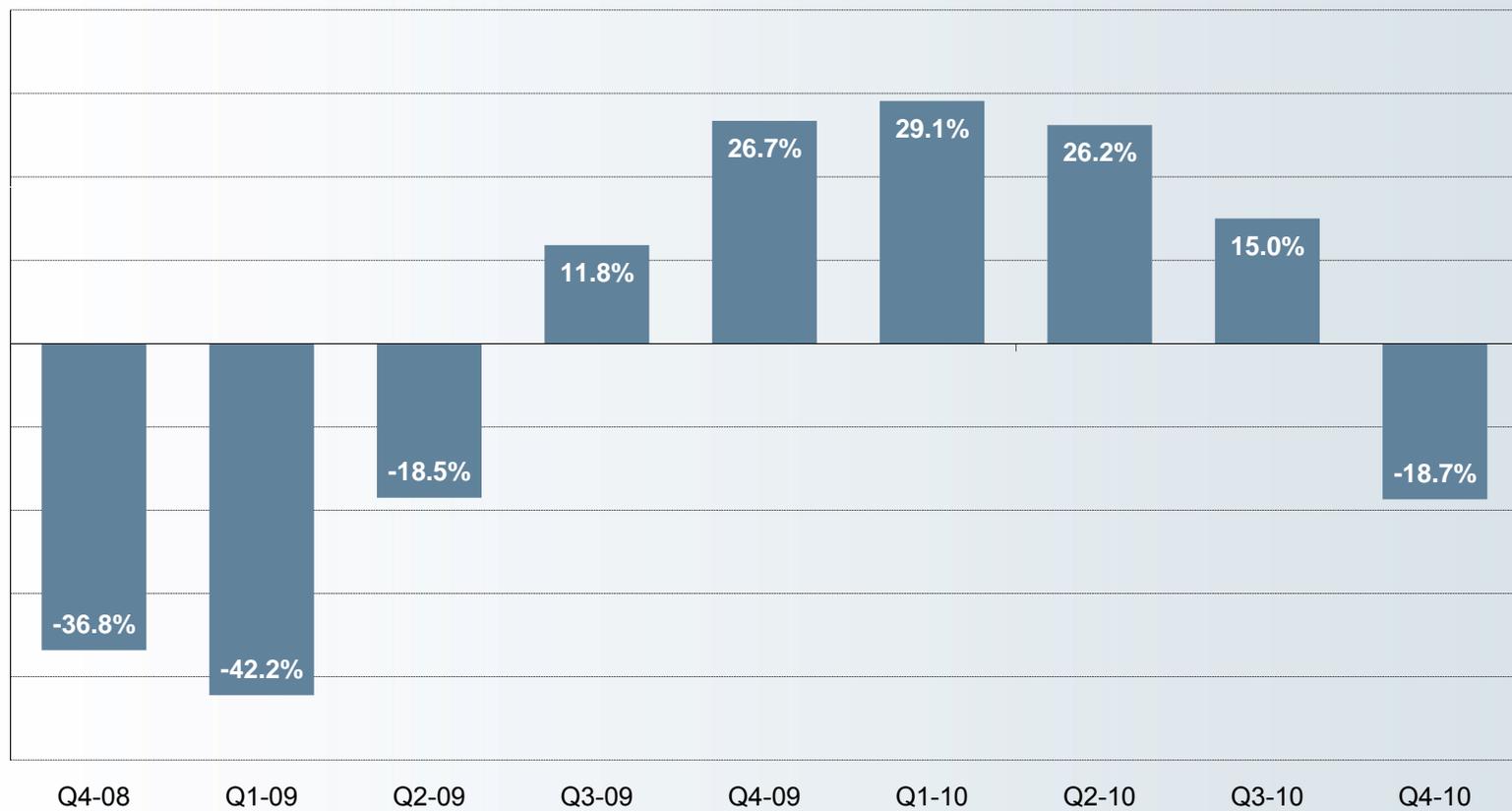
Consumer Spending Growth (SAAR)



Sources: Bureau of Economic Analysis; TXP

National Indicators

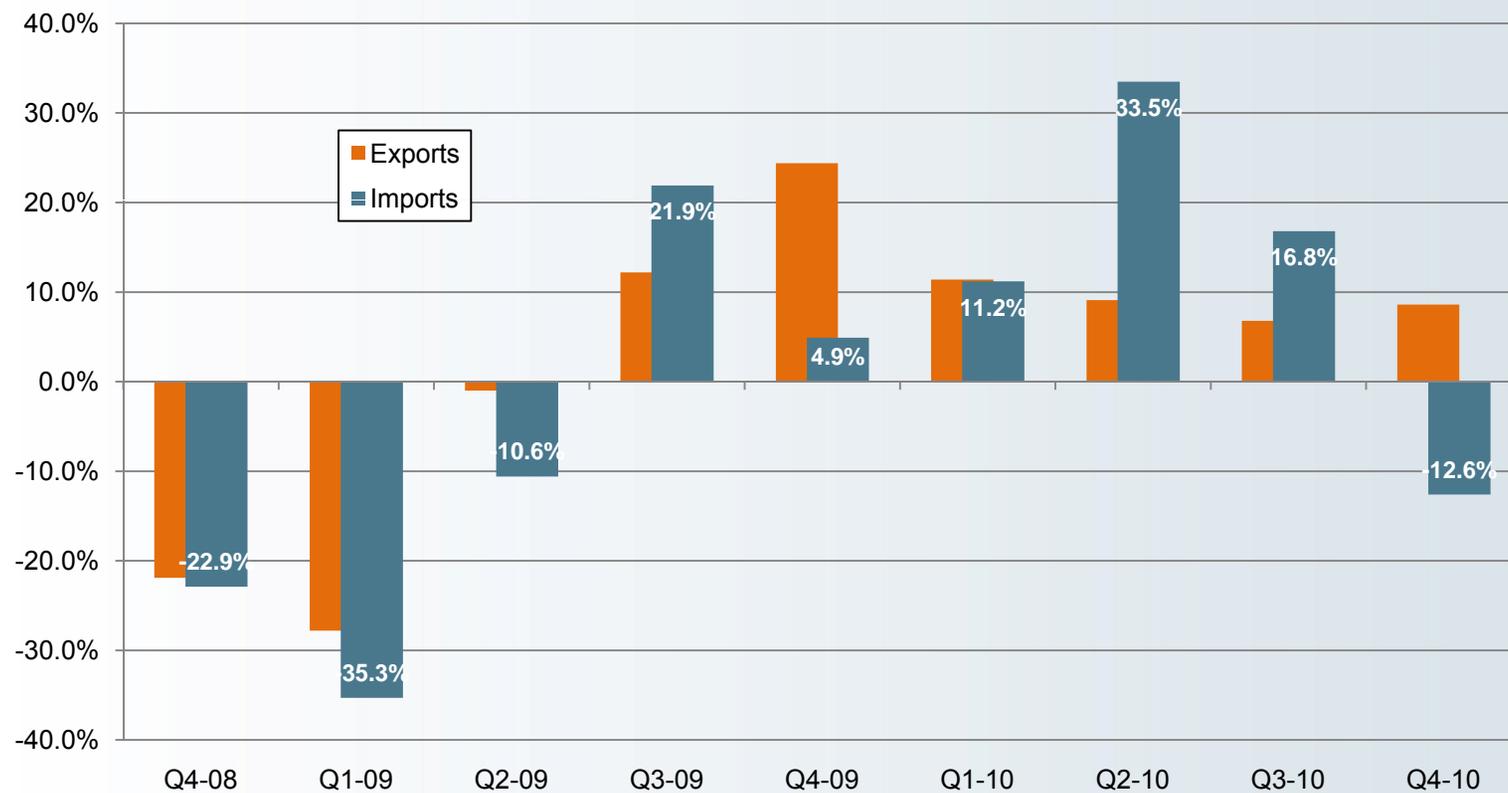
Total Investment (SAAR)



Sources: Bureau of Economic Analysis; TXP

National Indicators

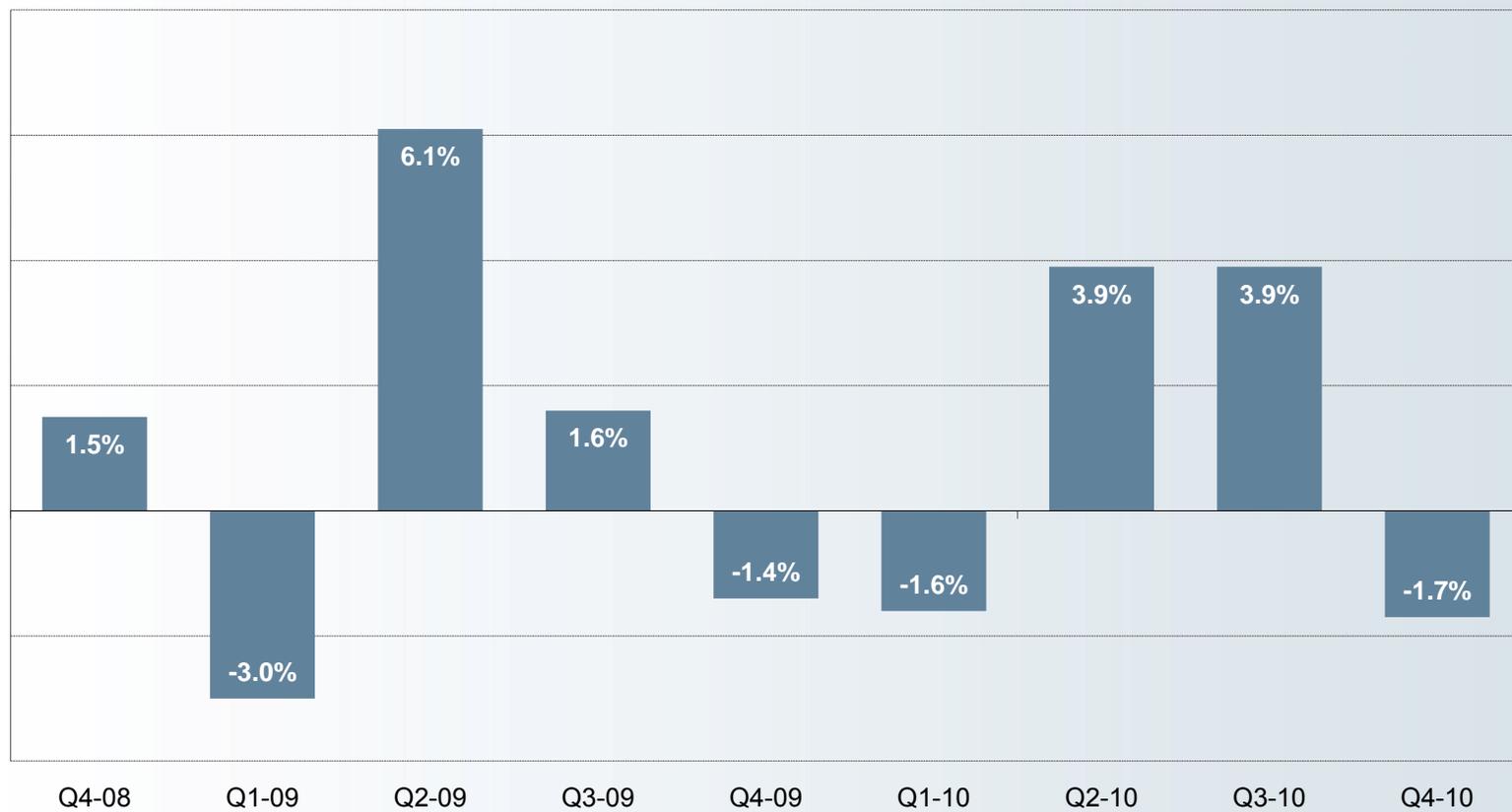
Exports & Imports (SAAR)



Sources: Bureau of Economic Analysis; TXP

National Indicators

Government (SAAR)

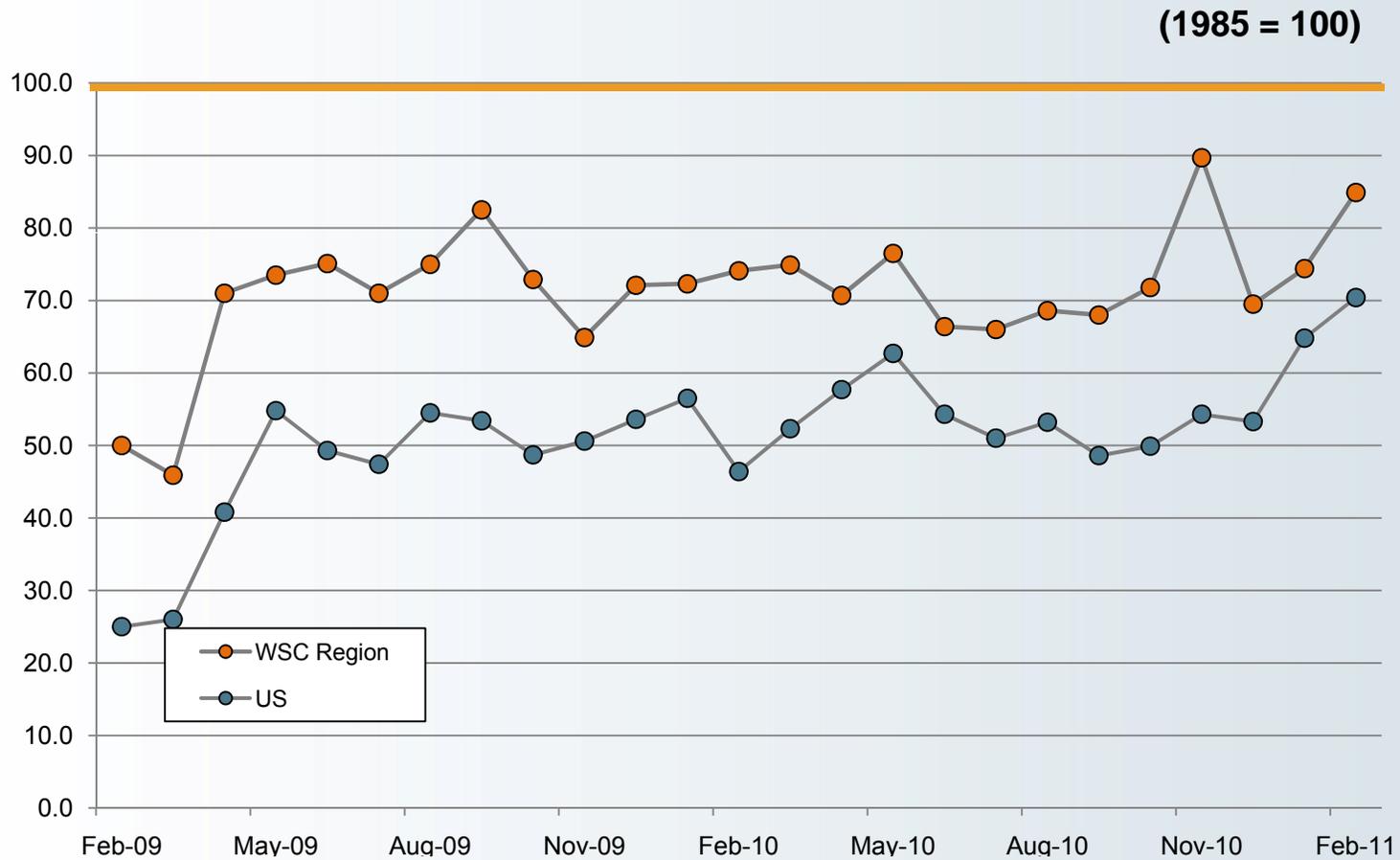


Sources: Bureau of Economic Analysis; TXP



National Indicators

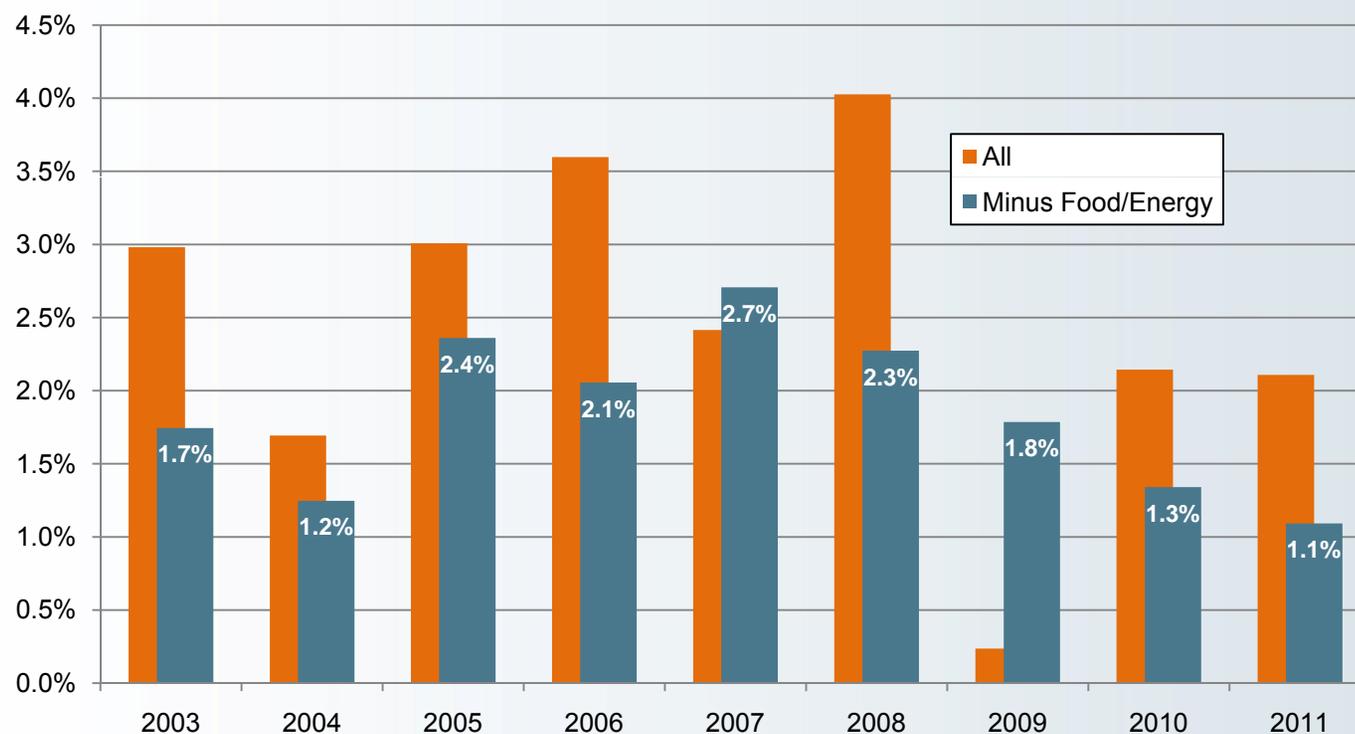
Consumer Confidence



Sources: Conference Board; TXP

National Indicators

February Consumer Price Index Growth (12-Month Change)

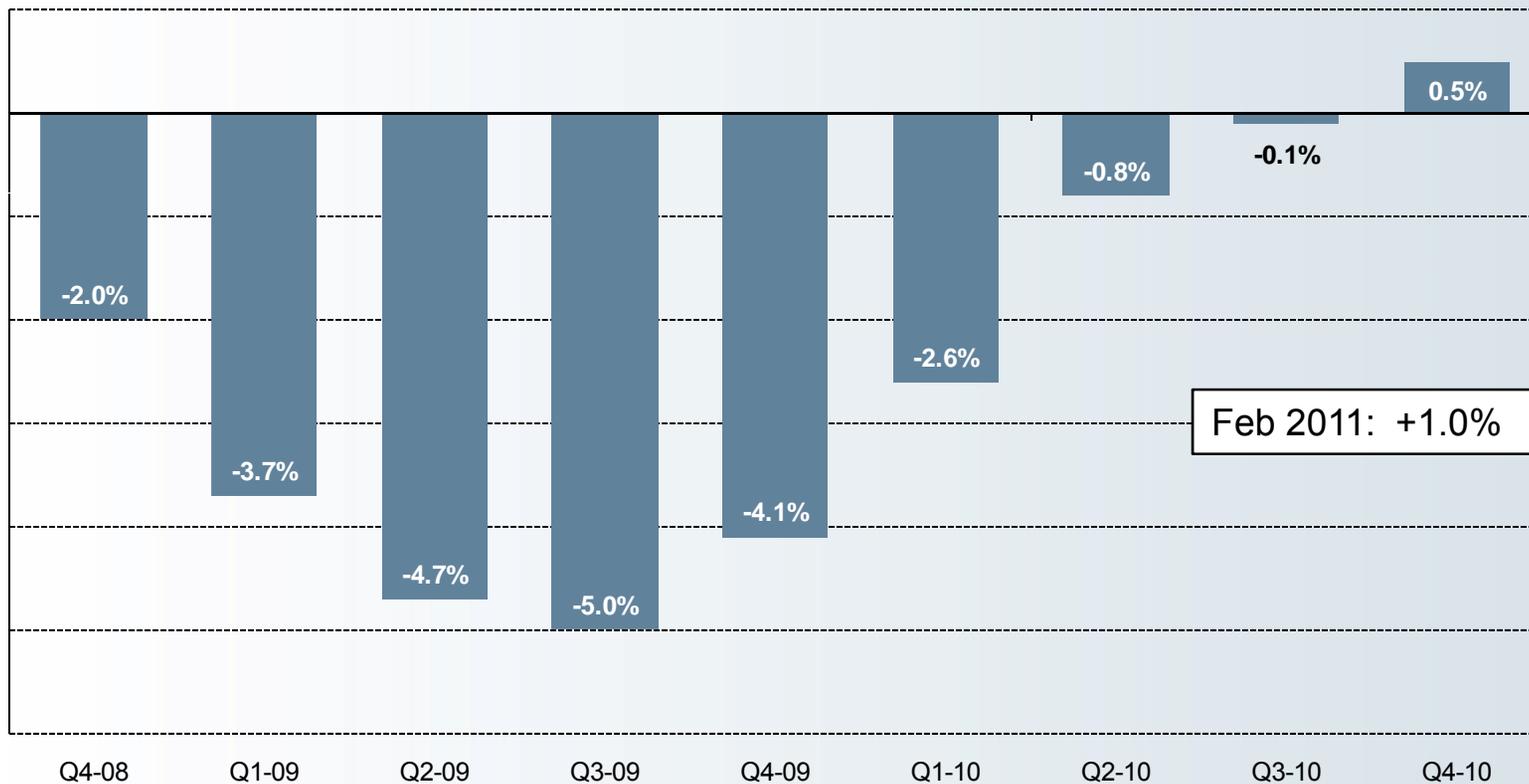


Sources: Bureau of Labor Statistics; TXP



Economic Overview

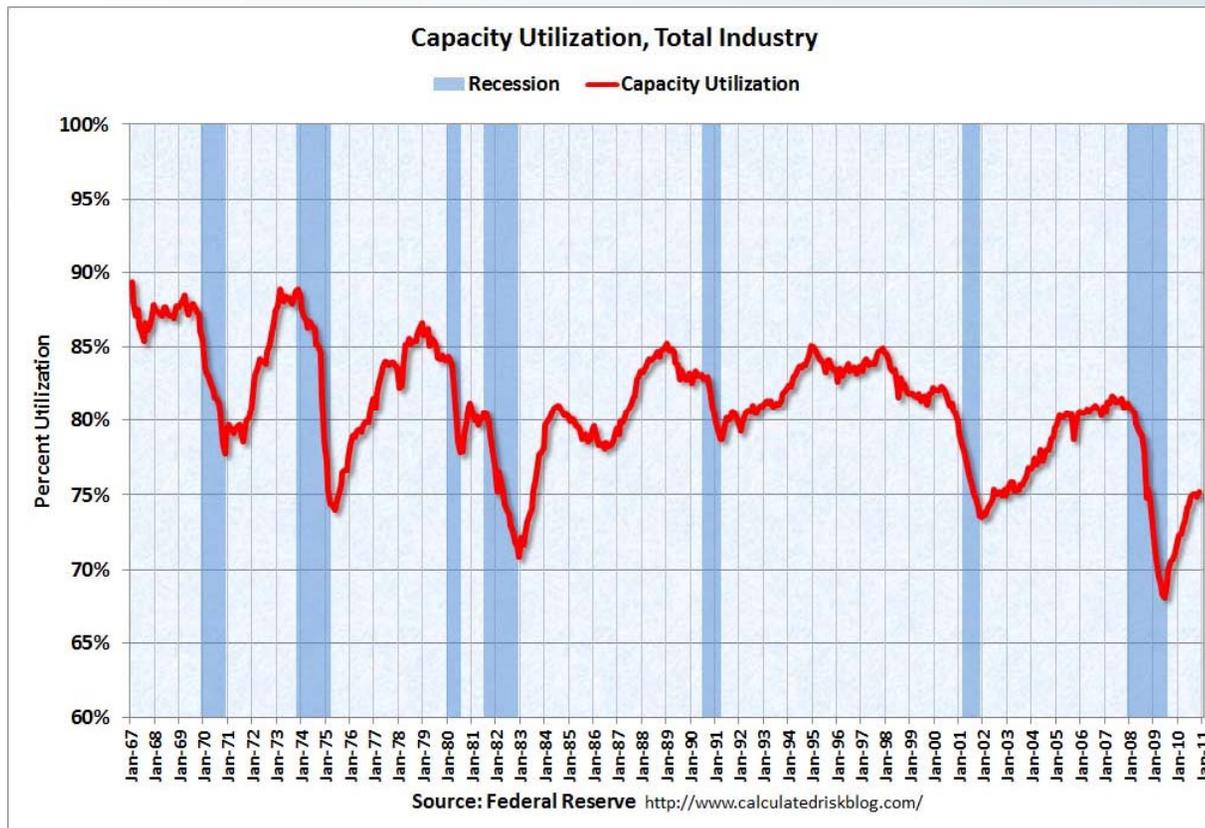
National Employment Growth (12-Month Change)



Sources: Bureau of Labor Statistics; TXP

National Indicators

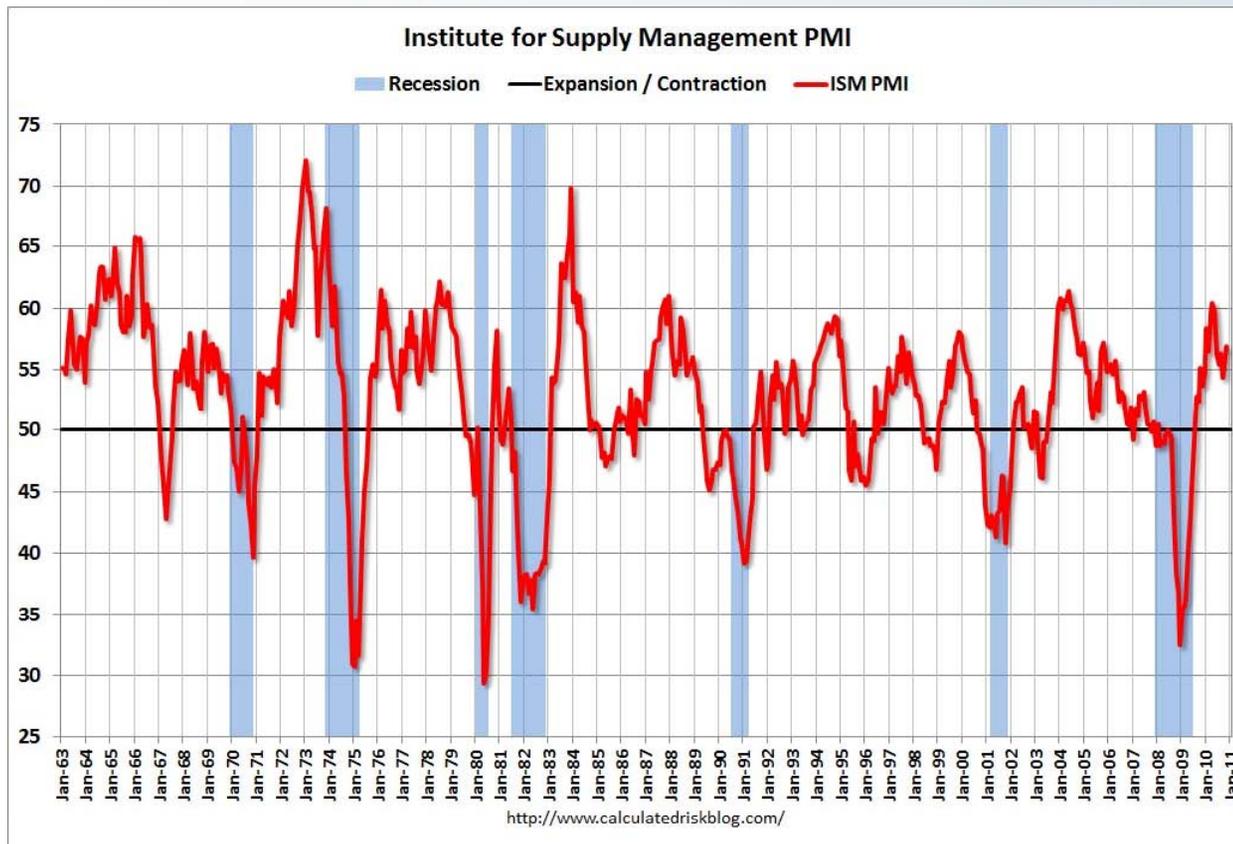
Industrial Capacity Utilization



Sources: Federal Reserve Bank; Calculated Risk blog

National Indicators

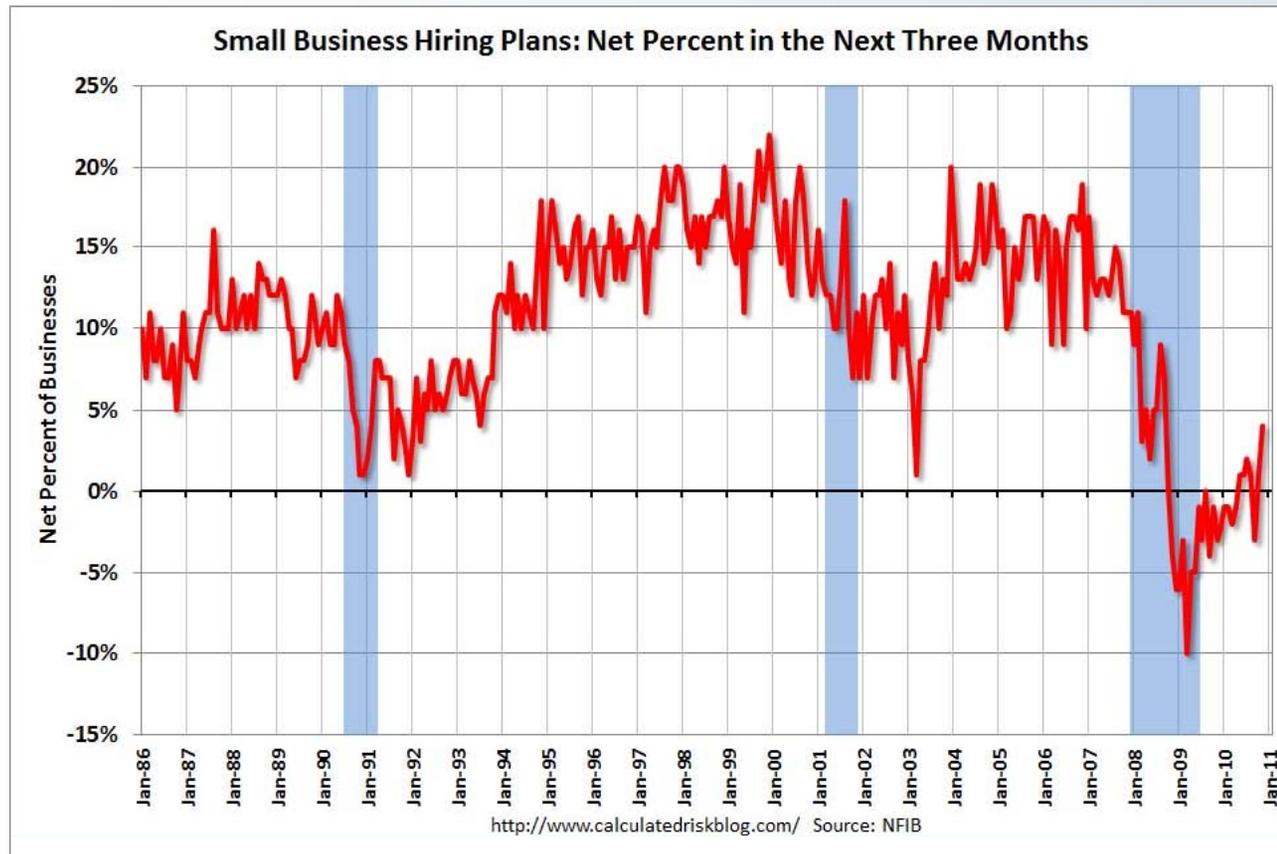
Purchasing Managers Index



Sources: ISM; Calculated Risk blog

National Indicators

Small Business Hiring Plans



Sources: NFIB; Calculated Risk blog

National Conclusions

- GDP will continue be positive next year, but real “recovery” won’t happen until the following are resolved.
 - “Stimulus” could have a substantial upward impact in 2011, but solid job creation will follow demand growth that isn’t policy/debt driven – can’t happen without credit resolution
 - Modest current uptick in prices (energy and food showing signs of accelerating), but interest rates/monetary policy unlikely to change significantly until recovery is firmly in place.
 - Global economic trends and foreign conflicts will shape energy outlook – best case is for continuation of current situation.
- Sustained economic recovery will almost certainly bring overall inflation acceleration, although property values are countervailing force
 - Rising interest rates curtail growth, depress tax revenues
 - Deficit/debt impact?
- Longer-Term Outlook (Next Five Years)
 - Best Case – back to traditional model: global recovery leads to export-driven growth (lower dollar and new tech/products) that allows job creation and creates overseas markets for investment. Value of dollar is a plus.
 - Worst Case – some version of stagflation: debt yields inflation, causing interest rates to rise sharply and growth to be stifled.



Austin Overview

City of Austin

Presented by TXP | Spring 2011



Regional Context

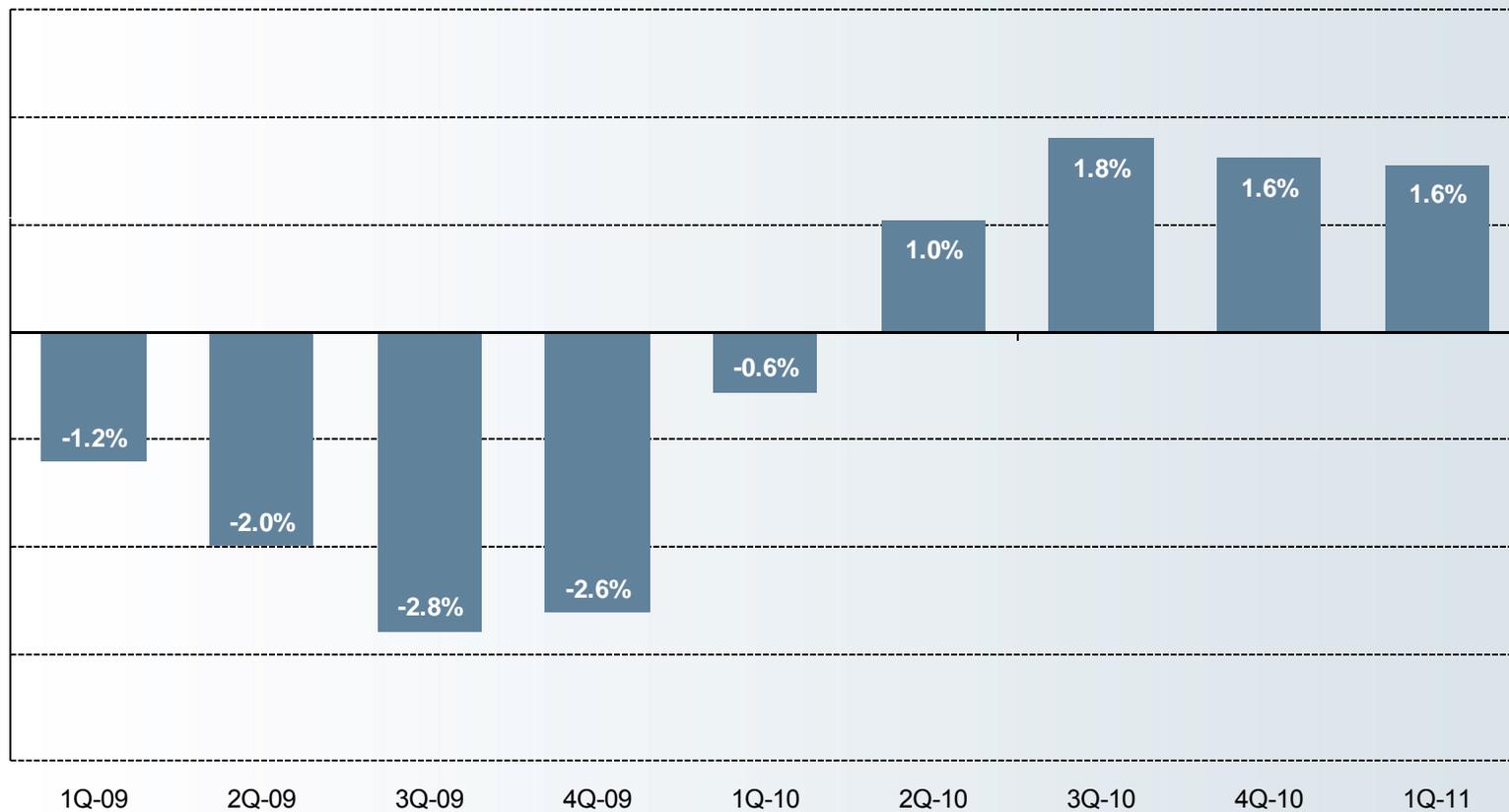
Overview

- Signs of life are growing stronger in the private sector.
 - 500 net new jobs in the manufacturing sector for the 12 months from Feb-10 through Feb-11; 2,500 more in business & professional services
- Tourism remains a positive element - 2011 likely to be a record year for hotel revenue.
- VC and local entrepreneurship also headed in a positive direction.
- Consumer spending shows signs of sustained improvement, but concerns about prices and income remain a constraint.
- Multi-family looks to be first sector coming out of real estate recession. Overcapacity has been addressed on development side, but values have yet to recover, especially for commercial space
- Population growth stronger than expected, especially in Travis County
 - Bodes well for housing markets and overall regional economies



Austin MSA Indicators

Recent Job Growth

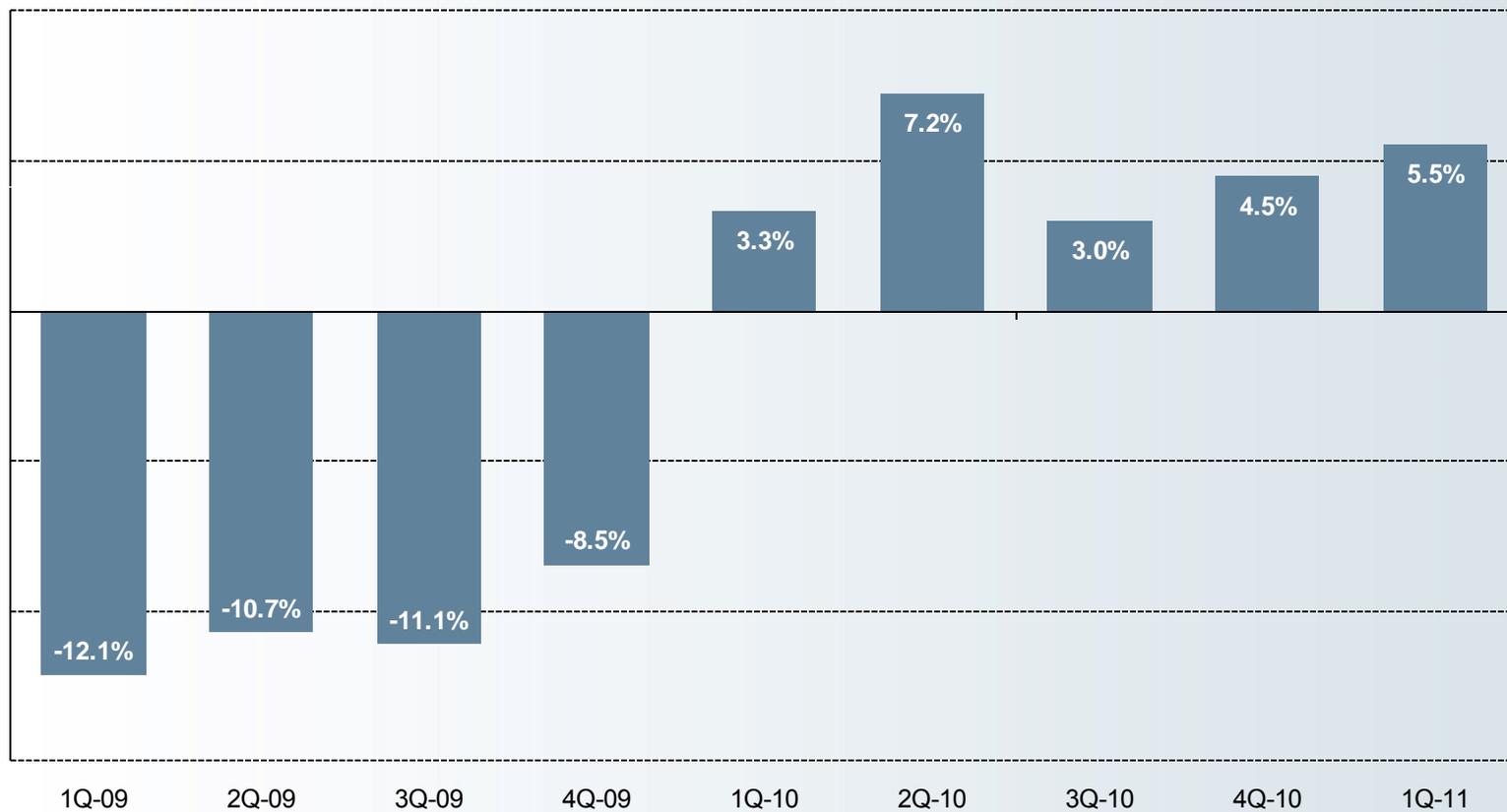


Source: BLS, TXP



Austin MSA Indicators

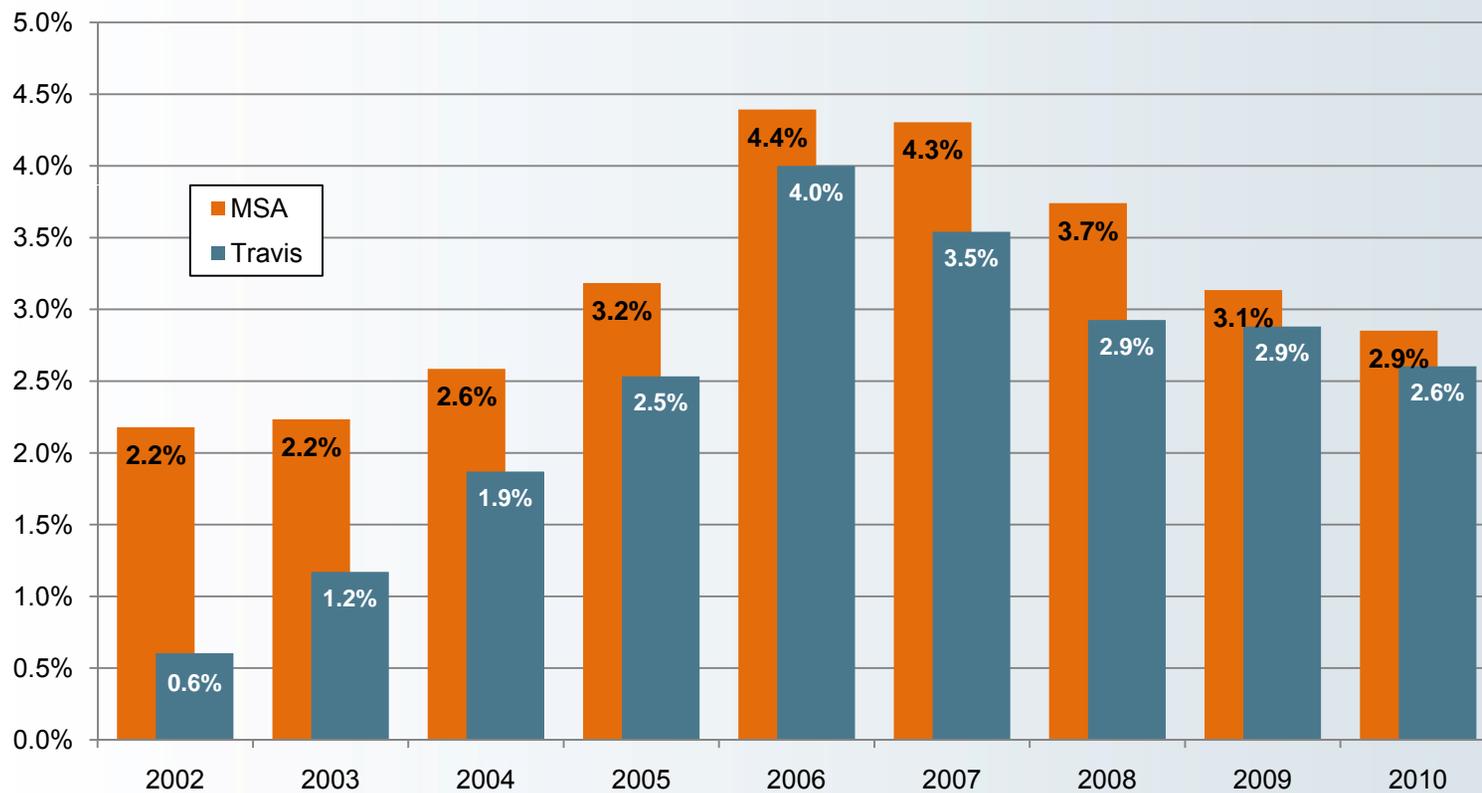
City of Austin Sales Tax Rebate Growth



Source: Texas Comptroller; TXP

Austin MSA Indicators

Population Growth – July estimates

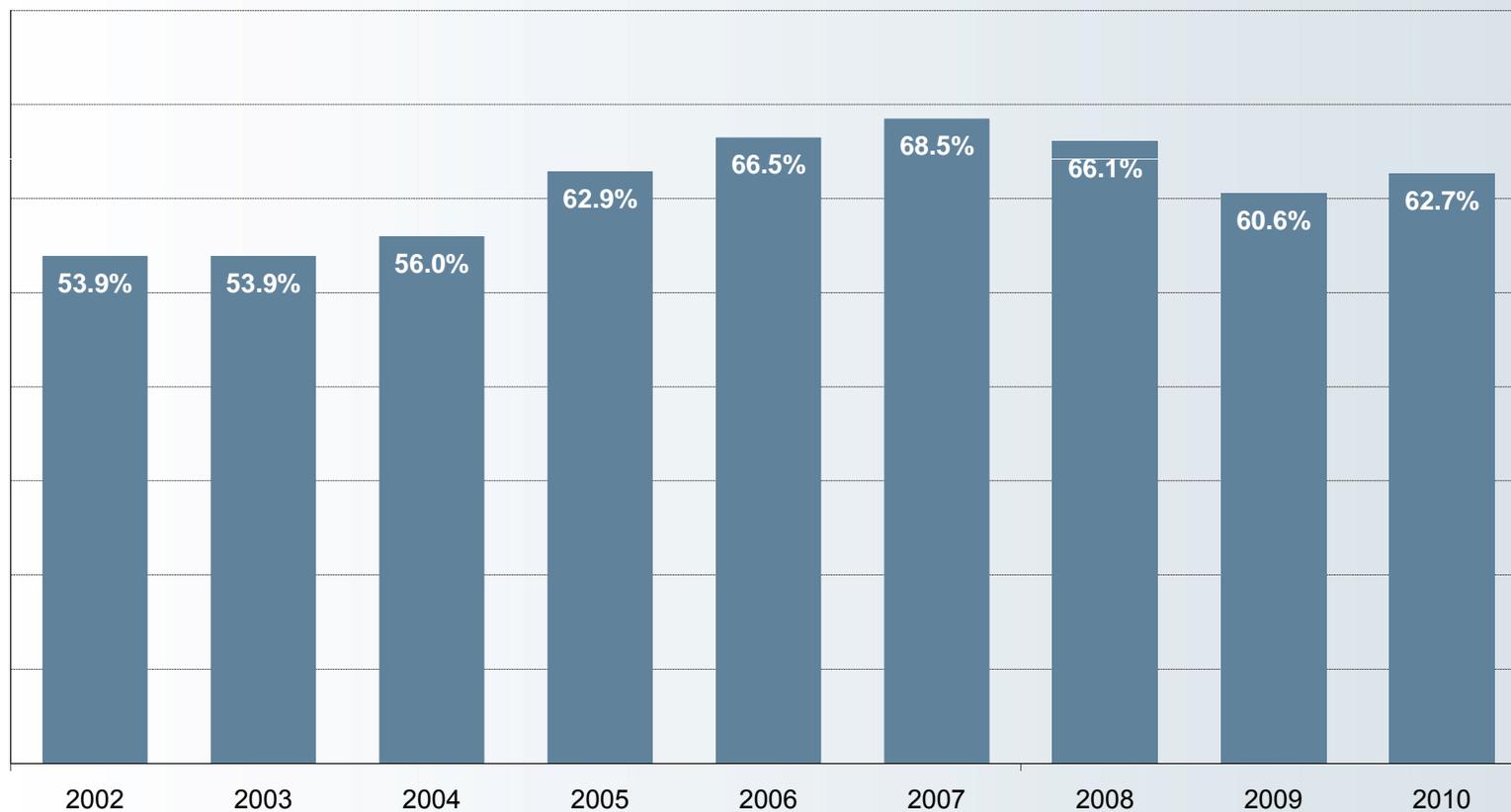


Source: Census Bureau, TXP



Austin Indicators

Hotel Occupancy – Austin MSA



Source: Governor's Office of Economic Development



Austin Indicators

Hotel Revenue in Austin MSA (\$millions)



Source: Governor's Office of Economic Development



Austin Indicators

Venture Capital Investment in Austin MSA (\$millions)



Source: PWC Moneytree



Austin Real Estate

Overview

- Apartments: Occupancy and rents both improving – little new supply in the near term will accelerate these trends. The rapid rebound evident in the Austin market reflects the attractiveness of the City for young migrants and reflects an optimism about the local economy in spite of the lingering national recession.
- Single-Family: Prices beginning to firm up, but supply and demand reasonably balanced – if job growth accelerates it could turn into a seller's market (especially for mid-priced houses), although underwriting standards are a counter-balancing force.
- Office: In the suburban market, soft market conditions will continue as building owners compete aggressively to capture tenants with expansion needs, or retain those whose lease terms are up for renewal. In the CBD and the Central market area surrounding downtown, higher occupancy rates and strong demand will keep rental rates high and prevent a deterioration of the market conditions.
- Retail: The global recession and lack of credit continues to affect the expansion plans of most national tenants, although the demand for free standing retail pad sites for fast food and automotive services continues in underserved suburban markets.
- Industrial: Some signs of modest improvement, but new construction will be limited to build-to-suit development until excess space is absorbed and lending restrictions ease.



Regional Indicators

Average Home Sales Price (\$000s)

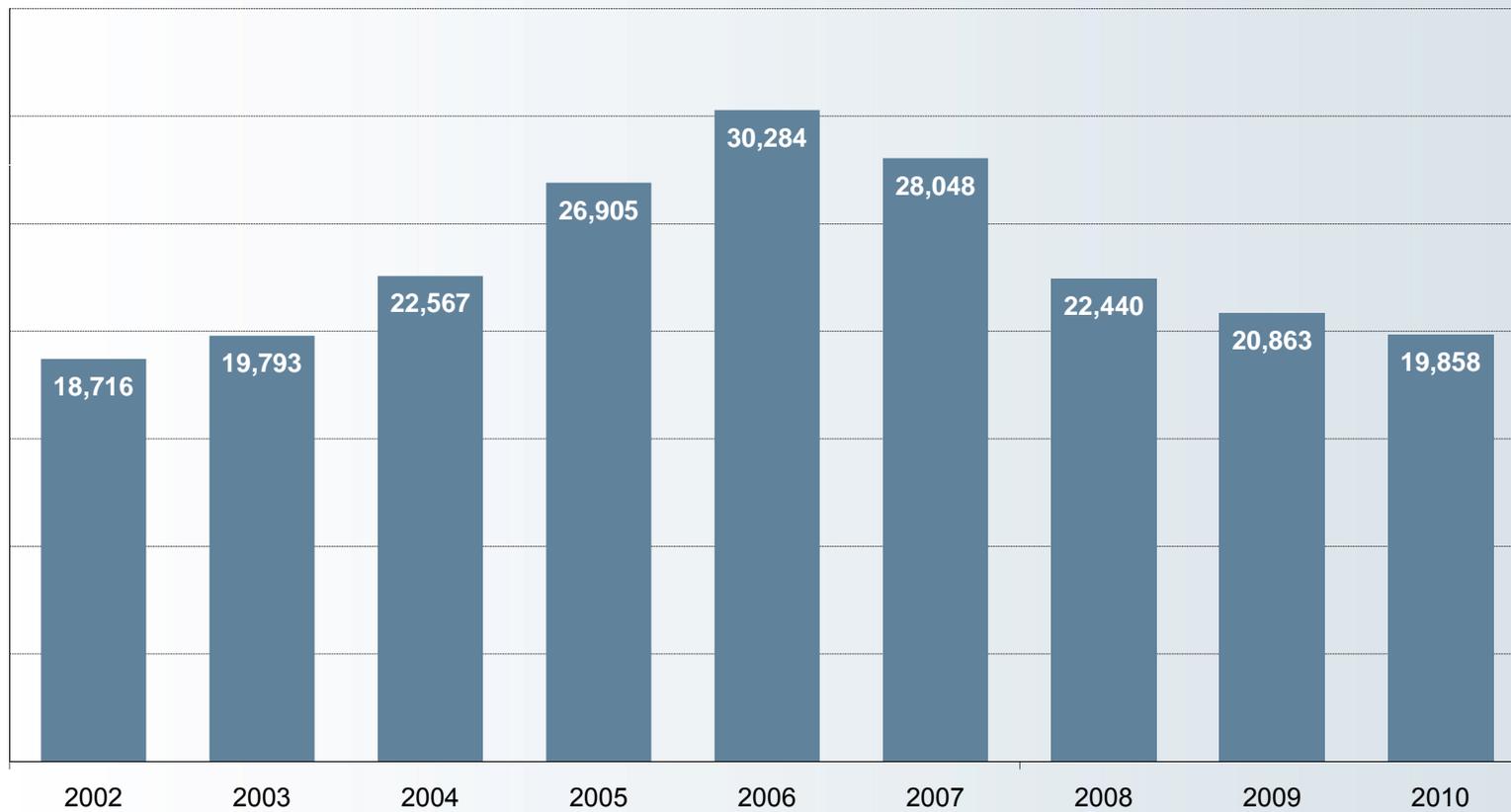
	2007	2008	2009	2010	4Q-09	4Q-10	Change: 07-10	Change: 4Q09-10
Austin	\$183.7	\$188.6	\$187.4 \$1	93.6	\$182.8 \$	190.3	5.4%	4.1%
Boston	\$395.6	\$361.1	\$332.6 \$3	57.3	\$332.5 \$	346.3	-9.7%	4.2%
Charlotte	\$204.3	\$197.8	\$189.1 \$1	91.0	\$185.5 \$	185.3	-6.5%	-0.1%
Chicago	\$276.6	\$245.6	\$199.2 \$1	91.8	\$191.5 \$	183.4	-30.7%	-4.2%
Dallas-Ft Worth	\$150.9	\$145.8	\$140.5	\$148.4	\$138.6	\$138.3	-1.7%	-0.2%
Denver	\$245.4	\$219.3	\$219.9 \$2	32.4	\$223.2 \$	229.8	-5.3%	3.0%
Houston	\$152.5	\$151.6	\$153.1 \$1	55.0	\$150.0 \$	154.1	1.6%	2.7%
Las Vegas	\$297.7	\$220.5	\$142.9 \$1	38.0	\$139.4 \$	134.2	-53.6%	-3.7%
Miami	\$365.5	\$285.1	\$211.2 \$2	00.8	\$199.3 \$	187.3	-45.1%	-6.0%
Minneapolis	\$225.2	\$202.0	\$177.7	\$170.6	\$167.5	\$165.3	-24.2%	-1.3%
New York	\$469.7	\$437.9	\$381.4 \$3	93.7	\$375.2 \$	390.2	-16.2%	4.0%
Phoenix	\$257.4	\$191.3	\$137.0 \$1	39.2	\$143.9 \$	132.3	-45.9%	-8.1%
Portland, OR	\$295.2	\$280.1	\$244.1 \$2	37.3	\$239.4 \$	230.2	-19.6%	-3.8%
Sacramento	\$342.8	\$216.7	\$180.5 \$1	84.2	\$188.6 \$	177.8	-46.3%	-5.7%
San Antonio	\$153.2	\$152.8	\$149.3	\$151.0	\$143.8	\$153.9	-1.4%	7.0%
San Diego	\$588.7	\$385.6	\$359.5 \$3	85.7	\$379.2 \$	381.4	-34.5%	0.6%
San Francisco	\$804.8	\$622.0	\$493.3 \$5	67.9	\$551.3 \$	558.2	-29.4%	1.3%
Seattle	\$386.9	\$357.2	\$306.2 \$3	02.9	\$305.5 \$	293.5	-21.7%	-3.9%
Tampa	\$214.9	\$173.0	\$140.7 \$1	34.2	\$140.2 \$	131.6	-37.6%	-6.1%
Tucson	\$244.8	\$204.3	\$172.5	\$156.6	\$166.7	\$146.3	-36.0%	-12.2%
Washington	\$430.8	\$343.4	\$308.6 \$3	25.3	\$306.2 \$	331.1	-24.5%	8.1%

Sources: National Association of Realtors; TXP



Austin MSA Indicators

Annual Home Sales



Source: Texas A&M Real Estate Research Center, TXP



Austin MSA Indicators

Dollar Volume of Home Sales (\$Billions)



Source: Texas A&M Real Estate Research, TXP



Austin MSA Indicators

Months of Available Housing Inventory

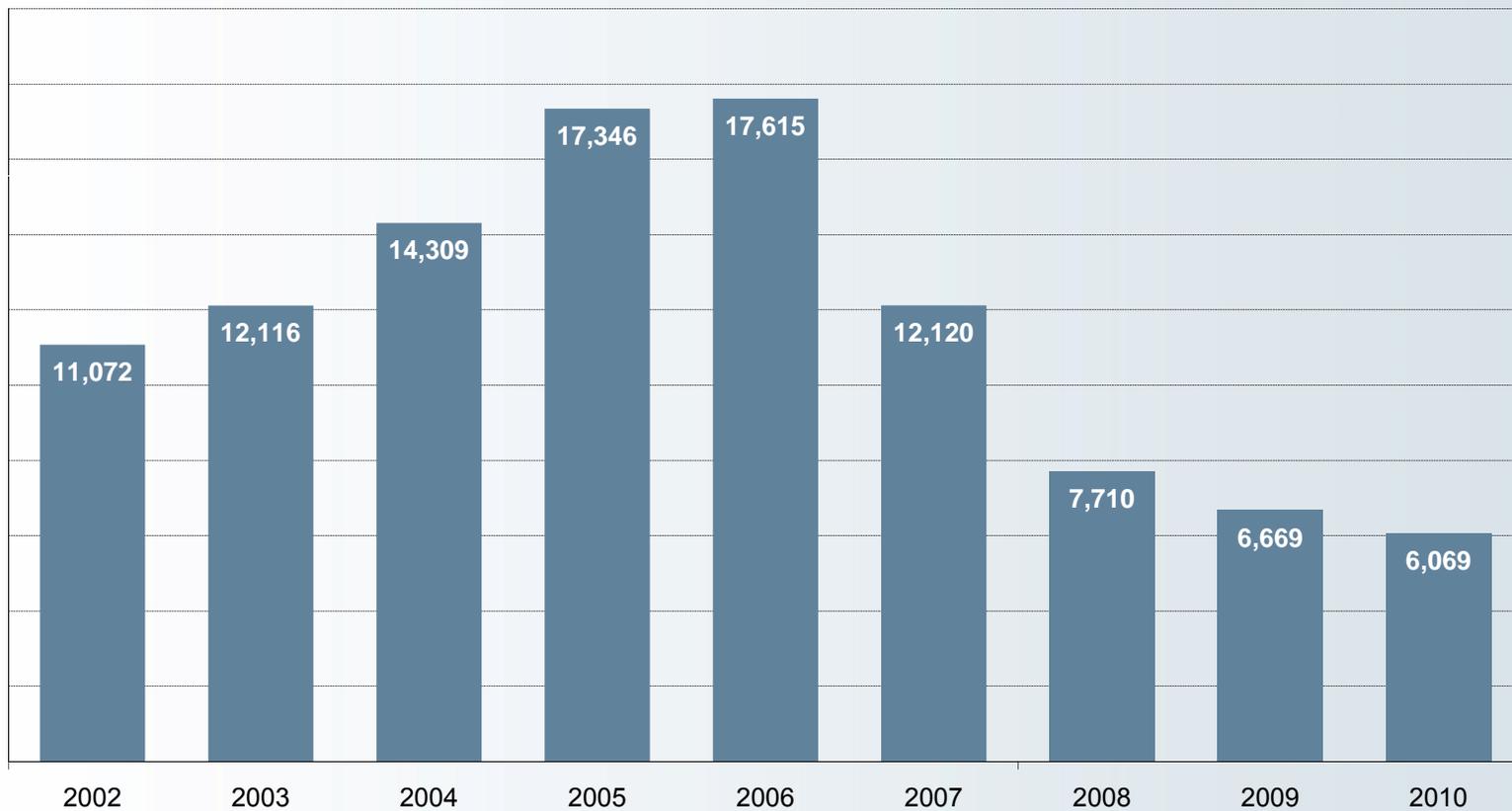


Source: Texas A&M Real Estate Research, TXP



Austin MSA Indicators

Single-Family Building Permits

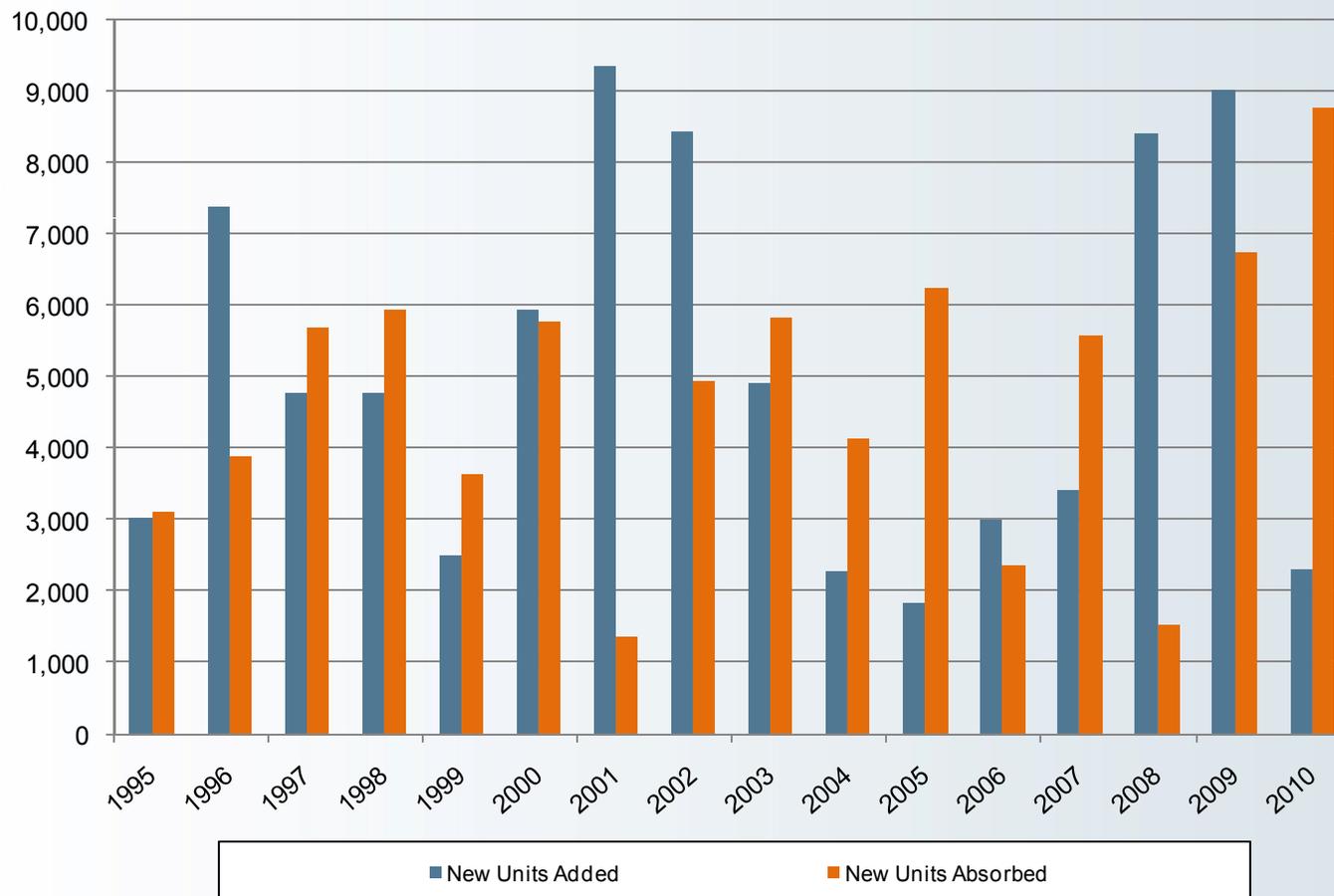


Source: Texas A&M Real Estate Research Center, TXP



Austin MSA Indicators

Apartment Market Data - Units



Source: Capitol Market Research, TXP

Austin MSA Indicators

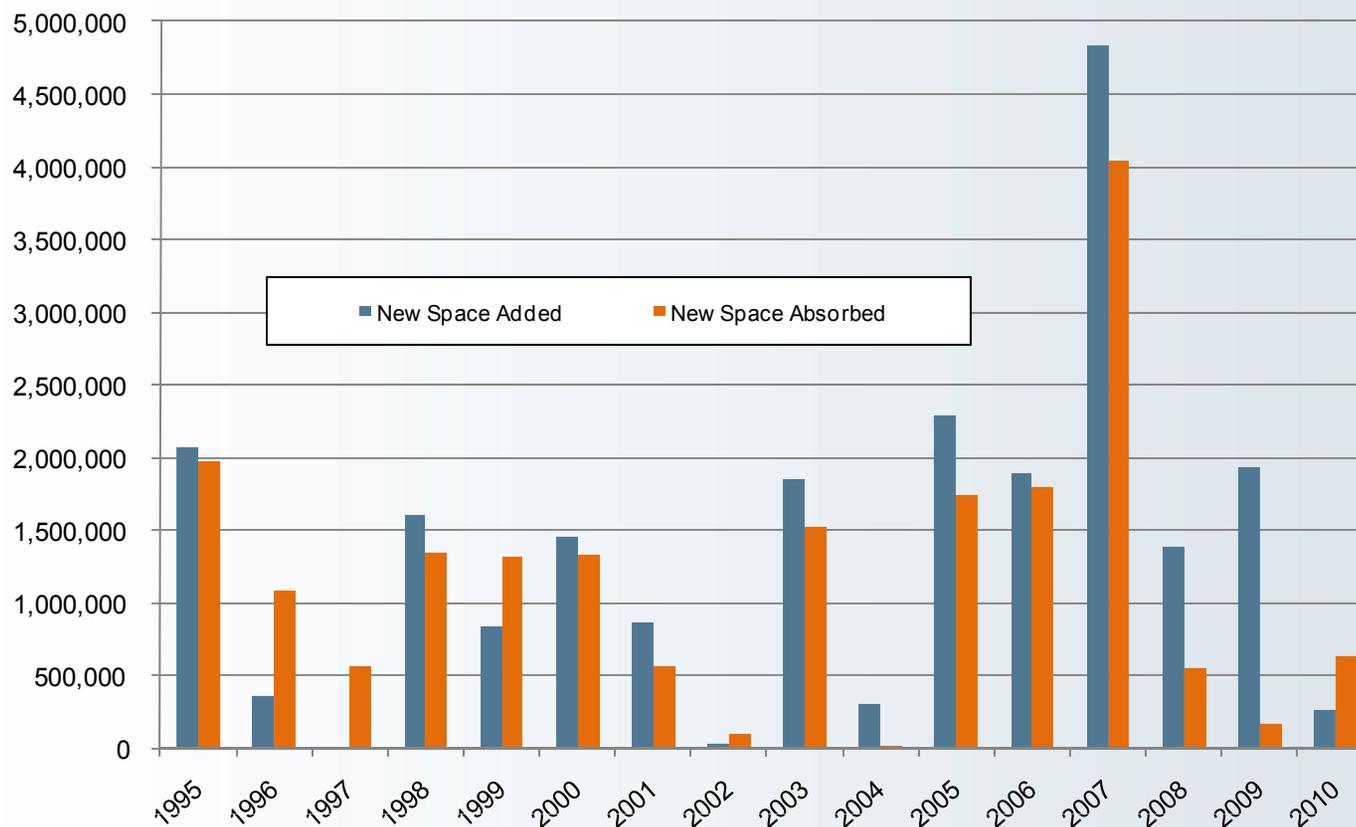
Office Market – Square Feet



Source: Capitol Market Research, TXP

Austin MSA Indicators

Retail Market – Square Feet



Source: Capitol Market Research, TXP



Austin Forecast

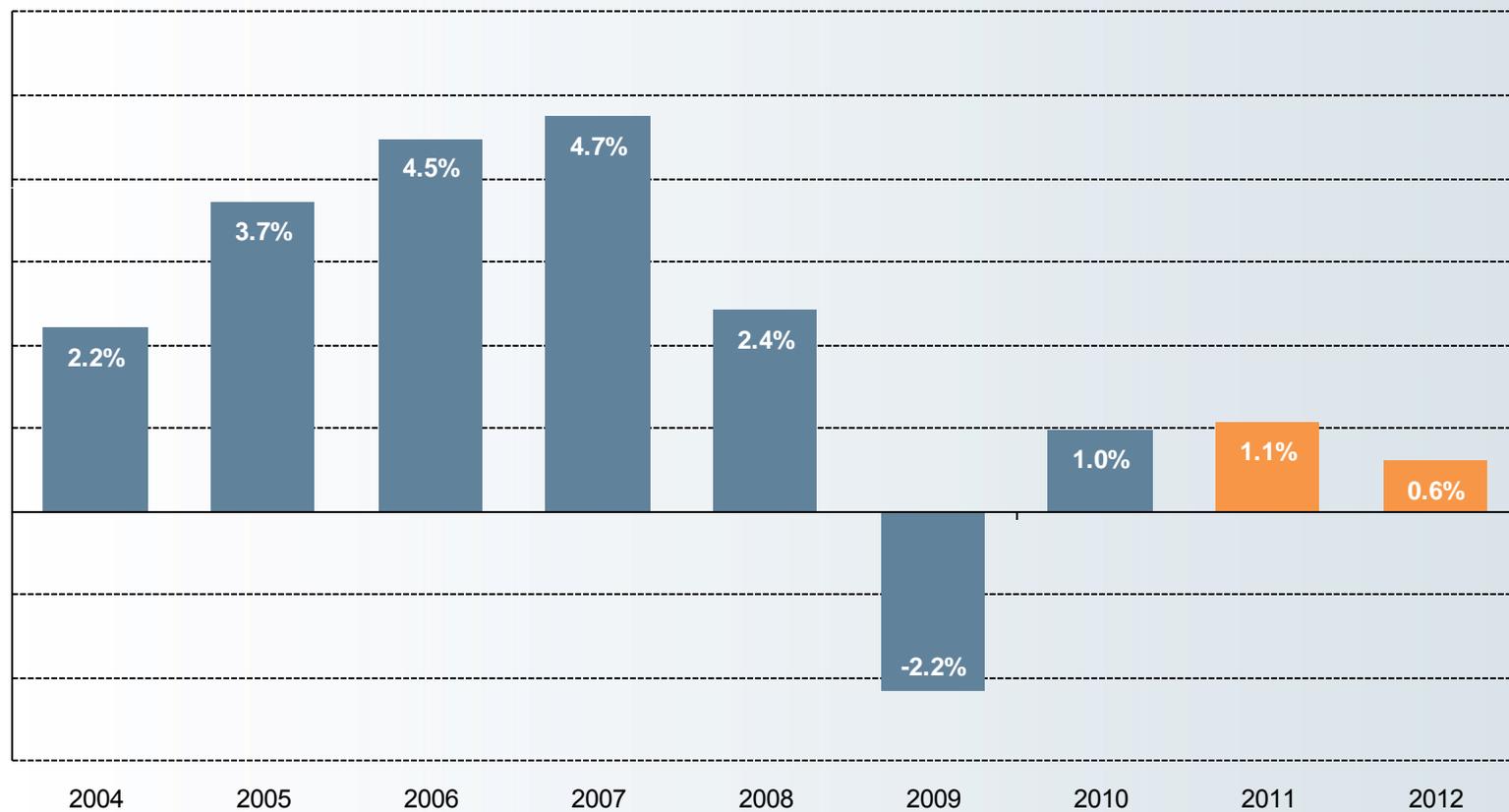
Summary

- Public sector (State) is the biggest wildcard – impact extends beyond direct state employment to education; implications also for local governments also related to healthcare/social services. Using LBB estimates of the jobs impacts of HB 1 as the basis (in combination with expectations of ultimate outcome), approximately 7,500 area state & local jobs could be lost over the next two years.
- Forecast is for the overall creation of 8,100 net new jobs in 2011, followed by 4,700 during 2012.
- Assuming the national economy does not fall back into recession, the private sector is projected to create 12,000 net new jobs this year, followed by 9,700 next year.
- The impact of lower State spending influences the forecast for personal income, as wages are likely to be reduced in addition to jobs cuts
- Trend on population shows gradual slowdown.



Austin MSA Indicators

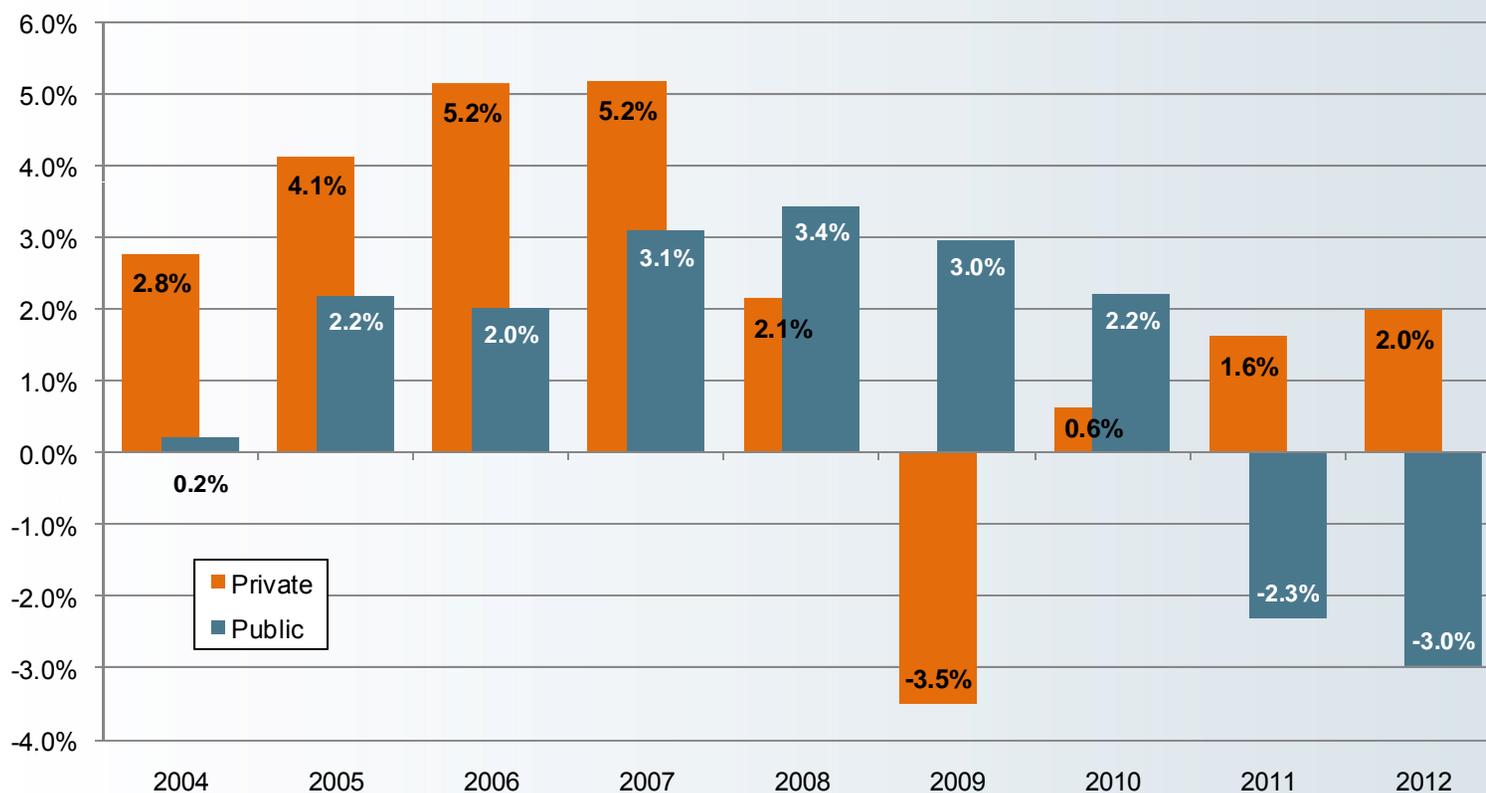
Total Employment Growth



Source: Bureau of Labor Statistics; TXP

Austin MSA Indicators

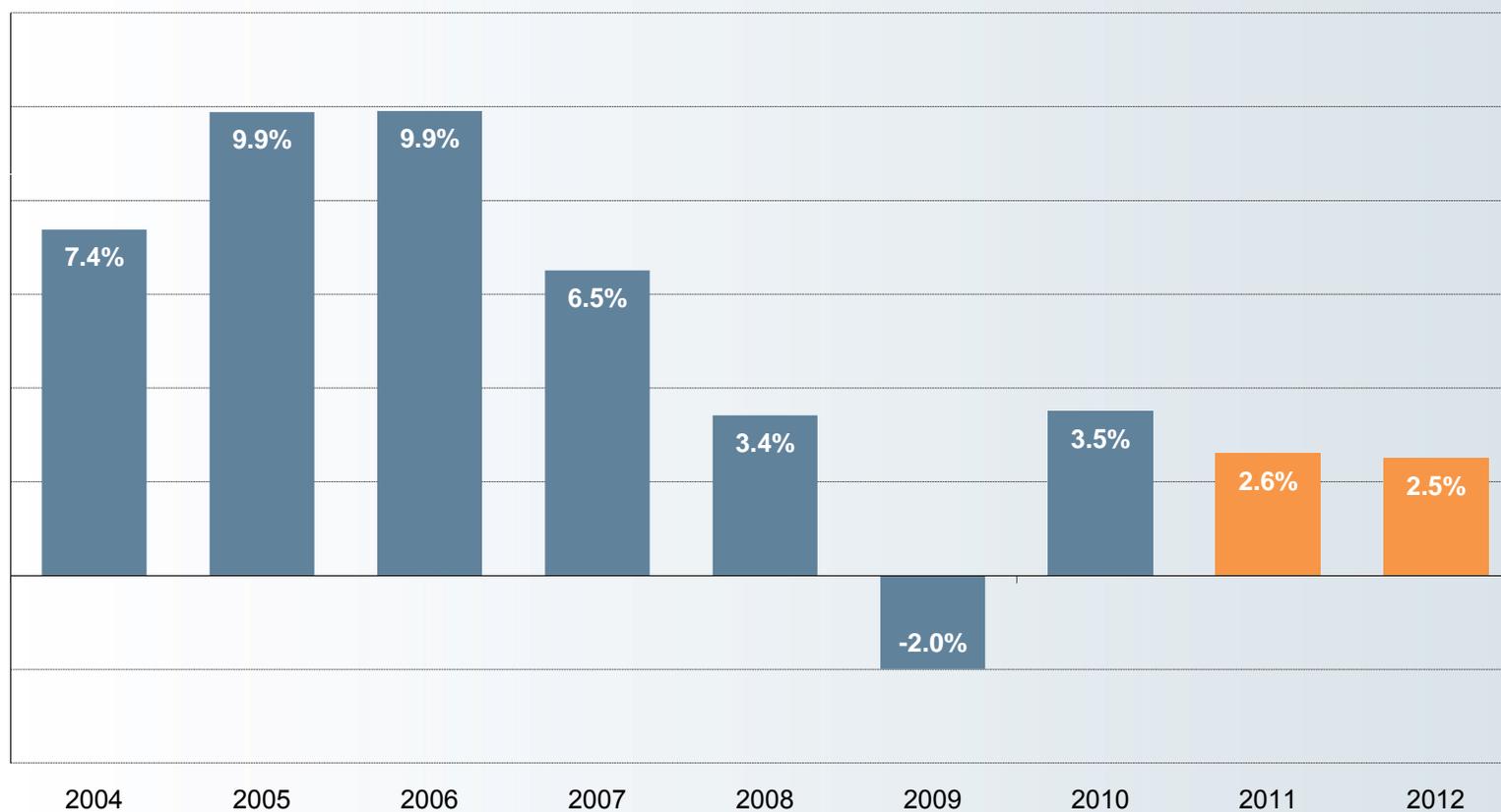
Total Employment Growth: Private vs. Public Sector



Source: Bureau of Labor Statistics; TXP

Austin MSA Indicators

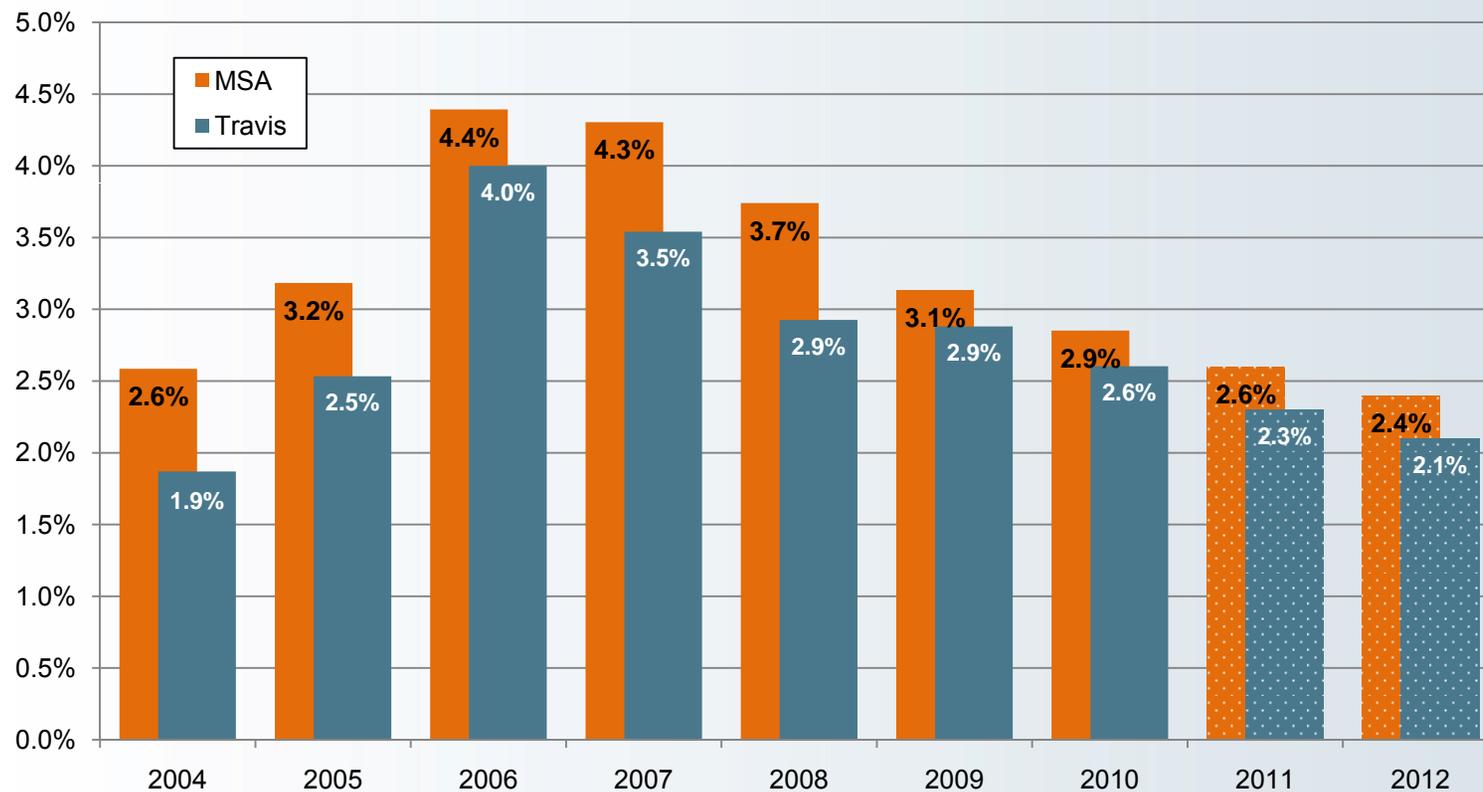
Total Personal Income Growth



Source: Bureau of Economic Analysis; TXP

Austin MSA Indicators

Total Population Growth



Source: Bureau of Census; TXP



Austin MSA Indicators

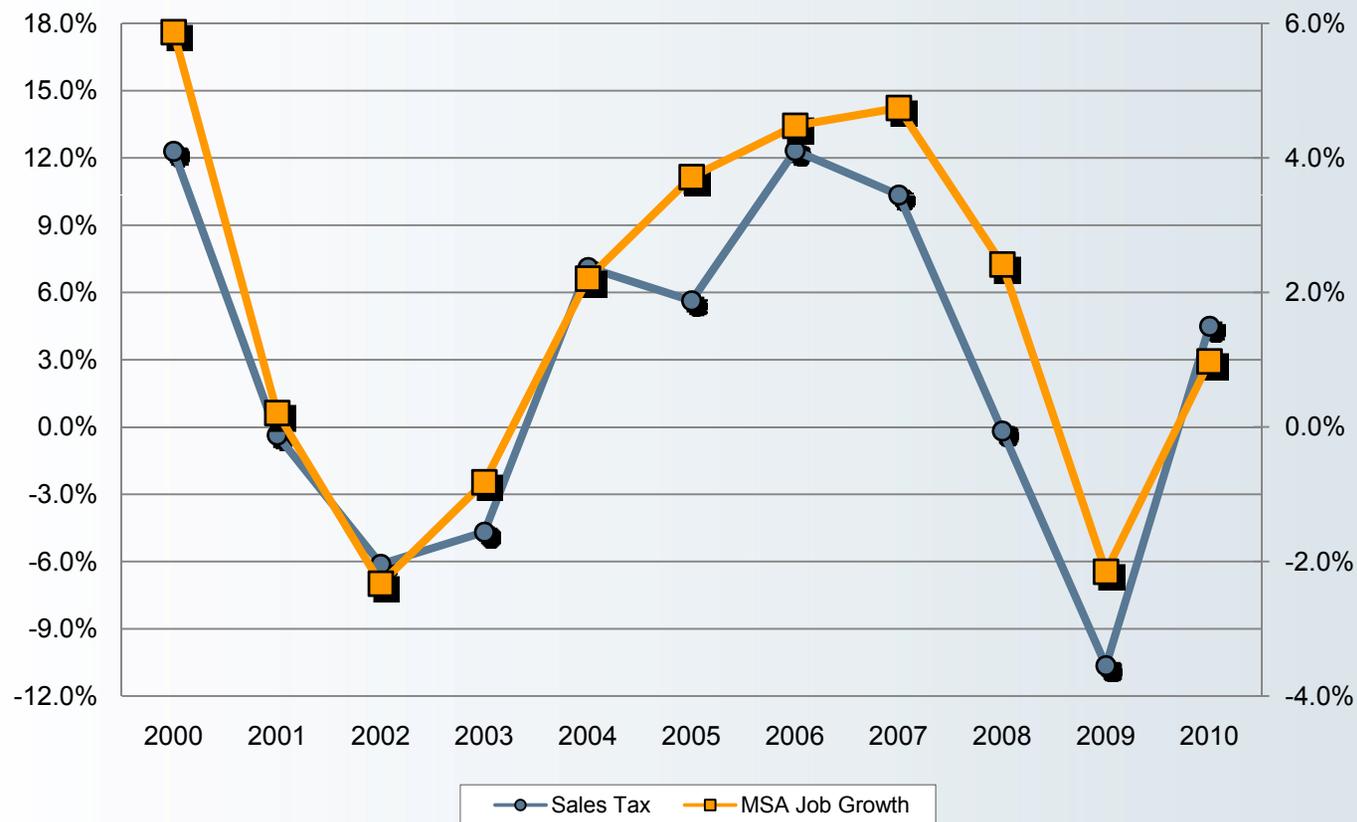
History and Forecasts

	2006	2007	2008	2009	2010	2011	2012
MSA Personal Income (\$Billions)	\$56.1	\$59.8	\$61.8	\$60.6	\$62.7	\$64.3	\$65.9
MSA Population (000s)	1,529.0	1,594.8	1,654.5	1,706.3	1,755.0	1,800.6	1,843.8
Travis County Population (000s)	937.0	970.2	998.6	1,027.3	1,054.1	1,078.3	1,100.9
	2006	2007	2008	2009	2010	2011	2012
Construction, etc. (000s)	44.6	49.0	47.4	40.8	39.0	39.8	40.2
Manufacturing	58.9	59.7	57.2	48.5	47.3	48.7	50.2
Wholesale Trade	38.5	41.3	41.5	37.7	39.6	40.8	41.4
Retail Trade	76.3	81.4	84.3	82.2	81.8	83.2	84.3
Transportation/Utilities	12.6	13.3	13.4	12.8	12.8	13.1	13.3
Information	21.8	21.9	21.0	19.7	19.4	19.8	20.0
Finance	43.3	44.7	45.1	43.6	42.3	41.5	41.5
Professional/Business Services	99.6	106.0	111.0	107.1	109.2	111.1	113.1
Education/Health Services	73.8	77.2	80.8	83.3	87.3	90.4	92.2
Leisure/Hospitality	74.3	78.3	81.4	83.0	83.8	85.9	87.4
Other Services	27.7	28.2	30.8	33.3	33.5	33.8	34.2
Government	152.0	156.7	162.1	166.9	170.6	166.7	161.7
Total	723.4	757.7	776.0	758.9	766.6	774.7	779.4

Source: TXP

Austin Indicators

COA Sales Tax vs. MSA Job Growth



Source: Texas State Comptroller; BLS, TXP



Austin Sales Tax Forecast

Near-Term

- Sales tax tends to track job growth – history would suggest 3x relationship, but there have been unusual factors in the recent boom, bust and recovery cycle:
 - Rising property values associated with boom yields easy home equity credit and spending capacity;
 - Bust flips equation on its head.
- Additional factors to consider in the recovery:
 - Strong population growth is bolstering aggregate spending levels
 - Potential for rising prices puts pressure on disposable income
 - Internet share continues to grow – e-commerce now around 4.5% of national total, up from 1% ten years ago
 - Shift from consumption to debt reduction/investment
 - Impact of State-driven reductions likely to influence wages (furloughs, etc.), in addition to overall job figures
- Translation is slightly better growth for fiscal 2011 (4-5% range); slowdown (2-3% growth) in fiscal 2012.



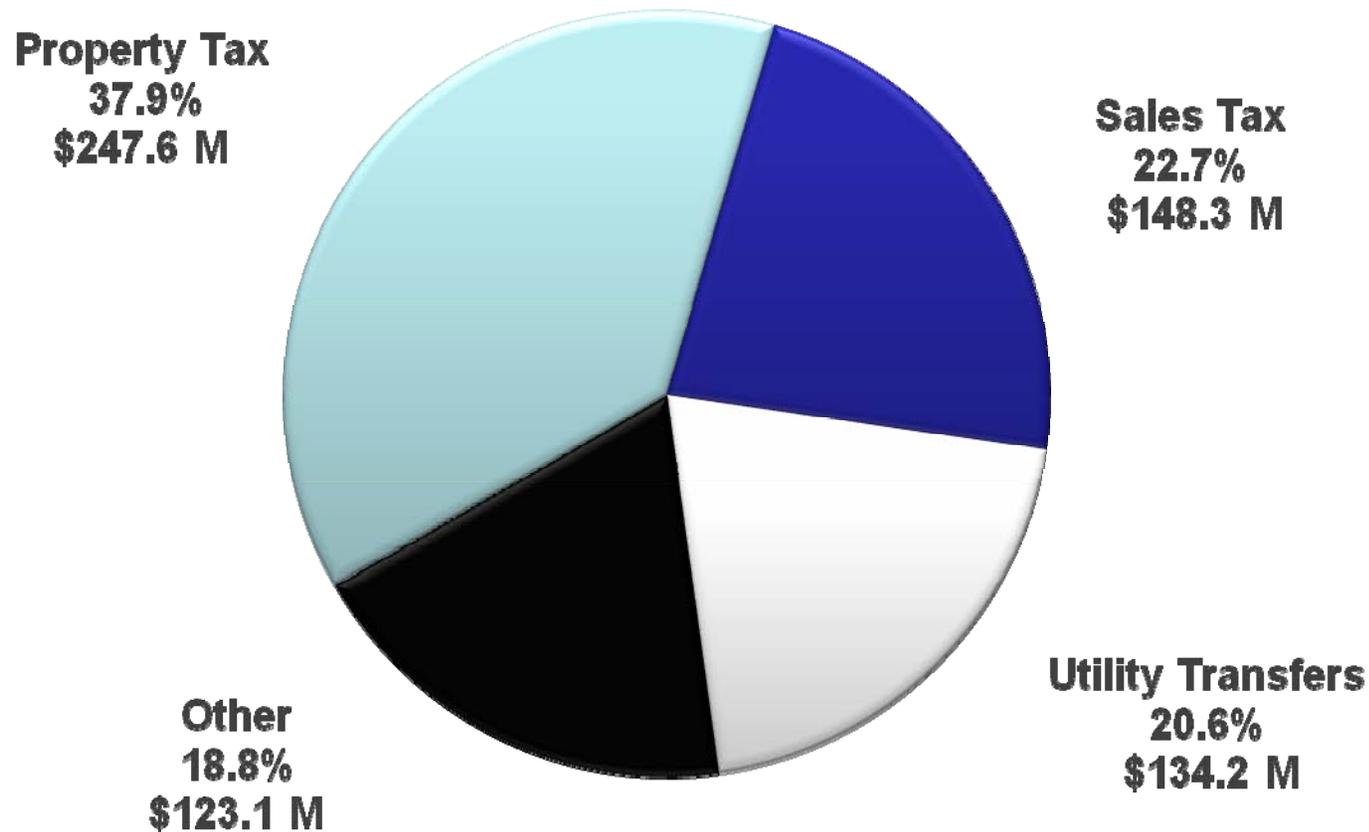
City of Austin Financial Forecast

General Fund Revenue



General Fund – Sources of Funds

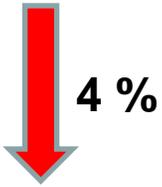
FY 2011 Estimated General Fund Revenue \$653.2 Million





Projected Tax Roll by Property Type

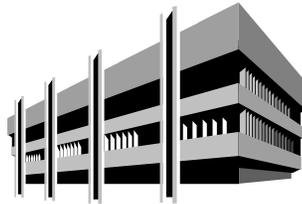
FY 2012 PROJECTED VALUES



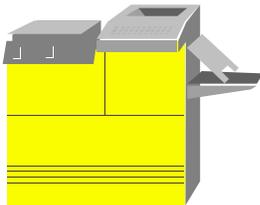
Single Family Residential
\$39,148 M 50.9 %



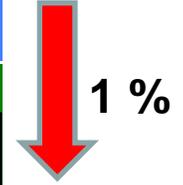
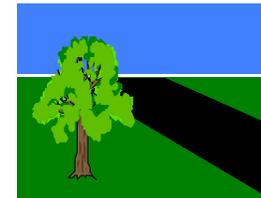
Multi-Unit Residential
\$10,192 M 13.2 %



Commercial
\$17,644 M 22.9 %



Personal Property
\$8,603 M 11.2 %



Land
\$1,356 M 1.8 %

TOTAL PROPERTY VALUE \$76,943 M (0.2%)



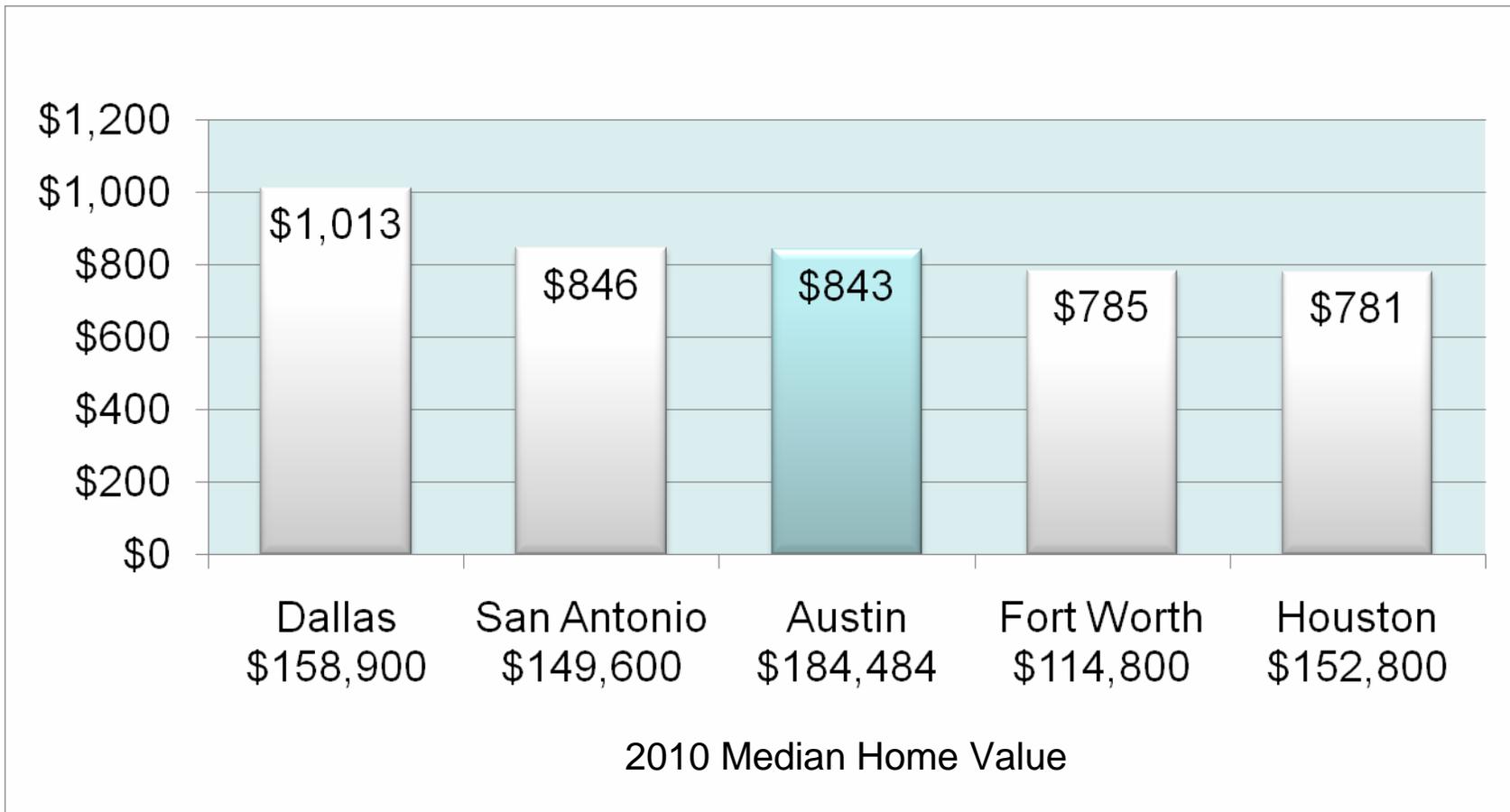
Property Tax Assumptions

Fiscal Year	Taxable Value Growth Rate	Total Taxable Value	Projected Tax Rate	O&M Tax Revenue
FY 2011	(3.8%)	\$77.1 b	0.4571	\$245.7 m
FY 2012	(0.2%)	\$76.9 b	0.4876	\$269.6 m
FY 2013	3.0%	\$79.3 b	0.5045	\$293.9 m
FY 2014	3.0%	\$81.6 b	0.5272	\$323.9 m
FY 2015	2.5%	\$83.7 b	0.5433	\$347.7 m
FY 2016	2.5%	\$85.8 b	0.5505	\$364.9 m

- 3 cent increase in tax rate assumed for FY 2012
- average annual taxable value growth of 9.4% during the last decade
- projected tax rates and revenues are highly sensitive to property values and new construction assumptions



Property Tax Comparison

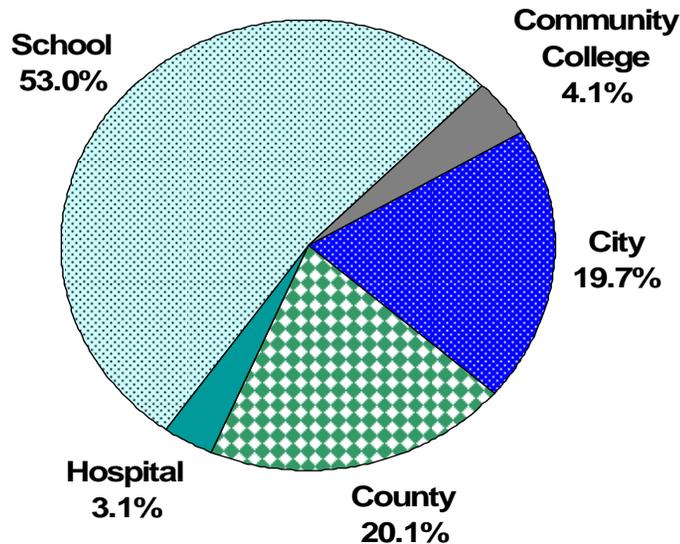


•Median sales price used as a proxy for median home value in jurisdictions other than Austin



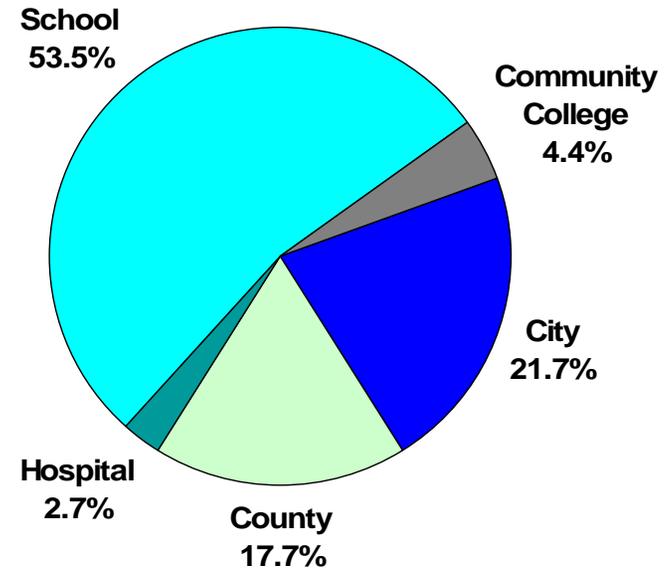
Overlapping Property Tax

TAX RATE



Jurisdiction	Austin	Share
City	0.4571	19.7%
County	0.4658	20.1%
Hospital	0.0719	3.1%
School	1.2270	53.0%
Community College	0.0951	4.1%
Total Tax Rate	2.3169	

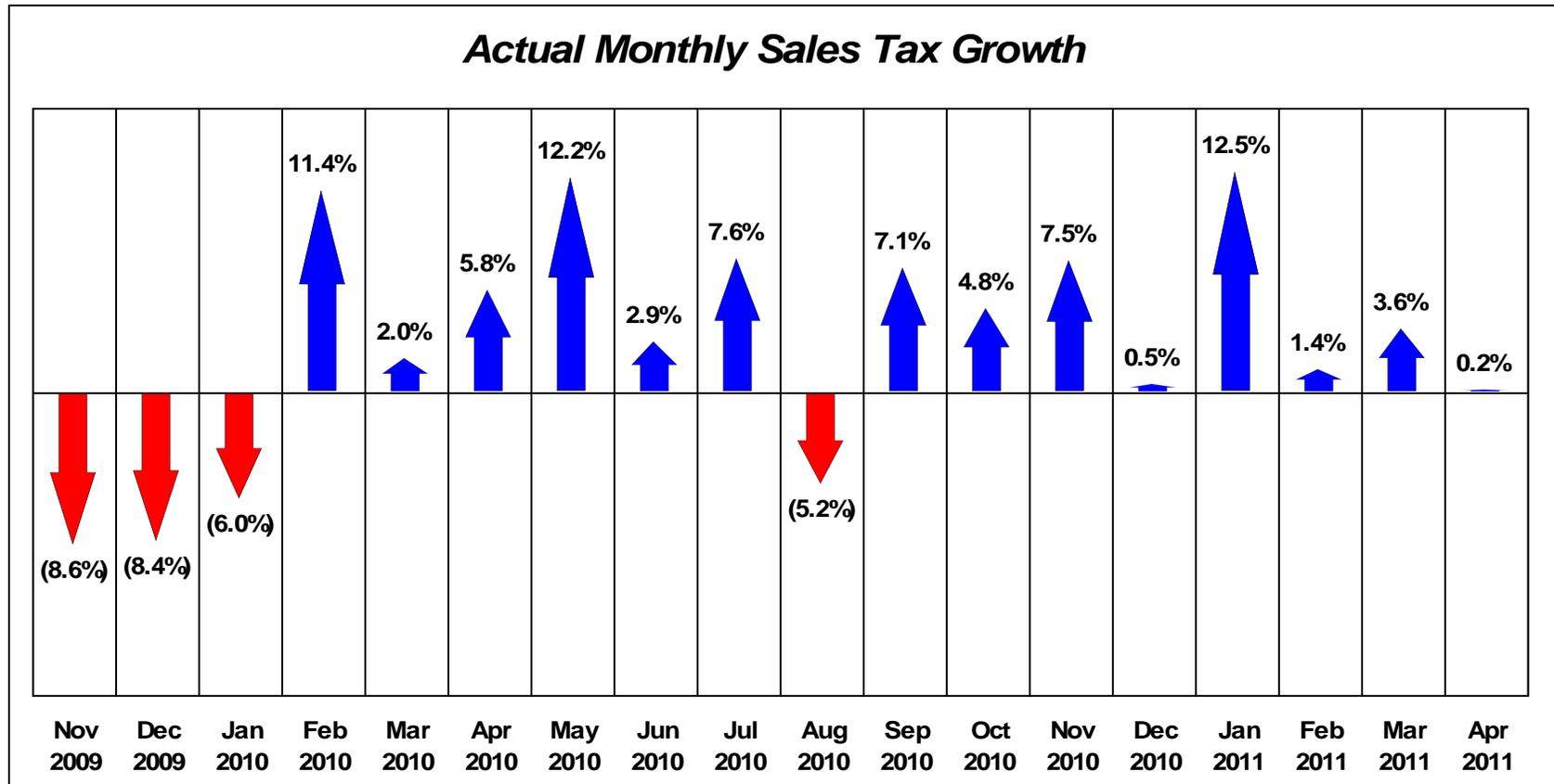
TAX BILL \$184,484 HOME



Jurisdiction	Austin	Share
City	\$843	21.7%
County	\$687	17.7%
Hospital	\$106	2.7%
School	\$2,080	53.5%
Community College	\$171	4.4%
Total Tax Bill	\$3,887	



Sales Tax Trend – Monthly





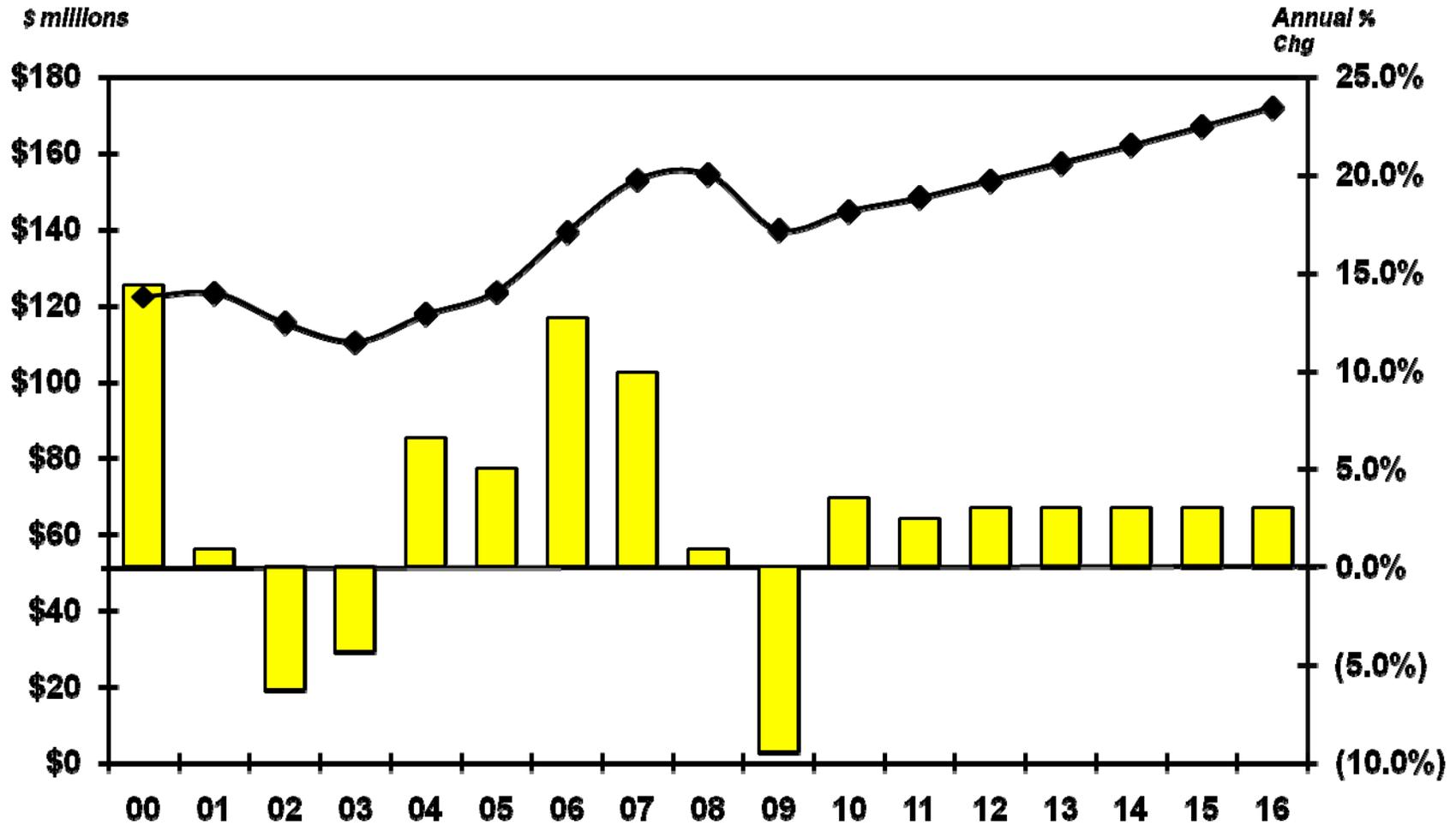
Sales Tax Assumptions

Fiscal Year	Growth Rate	Total Revenue	Change
FY 2011	3.0%	\$148.3 m	\$3.6 m
FY 2012	3.0%	\$152.7 m	\$4.4 m
FY 2013	3.0%	\$157.3 m	\$4.6 m
FY 2014	3.0%	\$162.0 m	\$4.7 m
FY 2015	3.0%	\$166.9 m	\$4.9 m
FY 2016	3.0%	\$171.9 m	\$5.0 m

- YTD growth = 3.4%
- average annual increase following previous economic downturns
 - 2004 - 2008: + 7%
 - 1988 - 1992: + 8%



Sales Tax Trend – Annual





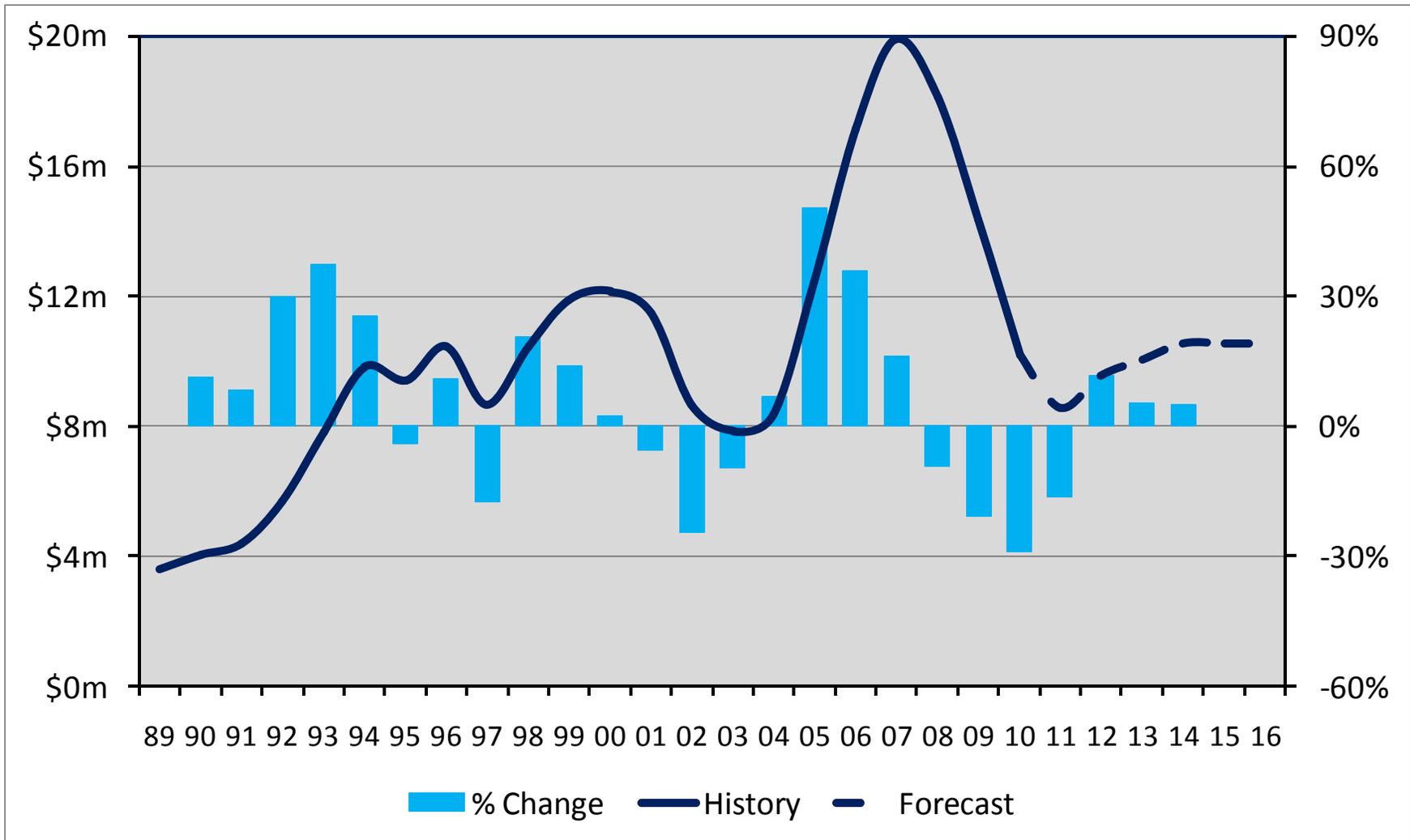
Utility Transfer

Fiscal Year	AE Transfer	Change	AWU Transfer	Change
FY 2011	\$103.0 m	\$2.0 m	\$31.3 m	\$2.3 m
FY 2012	\$103.0 m	\$0.0 m	\$31.9 m	\$0.6 m
FY 2013	\$102.0 m	(\$1.0 m)	\$33.7 m	\$1.8 m
FY 2014	\$104.0 m	\$2.0 m	\$37.4 m	\$3.7 m
FY 2015	\$108.0 m	\$4.0 m	\$40.6 m	\$3.2 m
FY 2016	\$116.0 m	\$8.0 m	\$43.2 m	\$2.6 m

- established council transfer policies maintained
 - electric 9.1%
 - water 8.2%
- AE transfer policy will be evaluated as part of rate review



Development Revenue Trend





Other Revenue Highlights

➤ Fines and Penalties

- \$1.6 million increase in 2012 – primarily related to extended hours of downtown parking enforcement

➤ Charges for Services

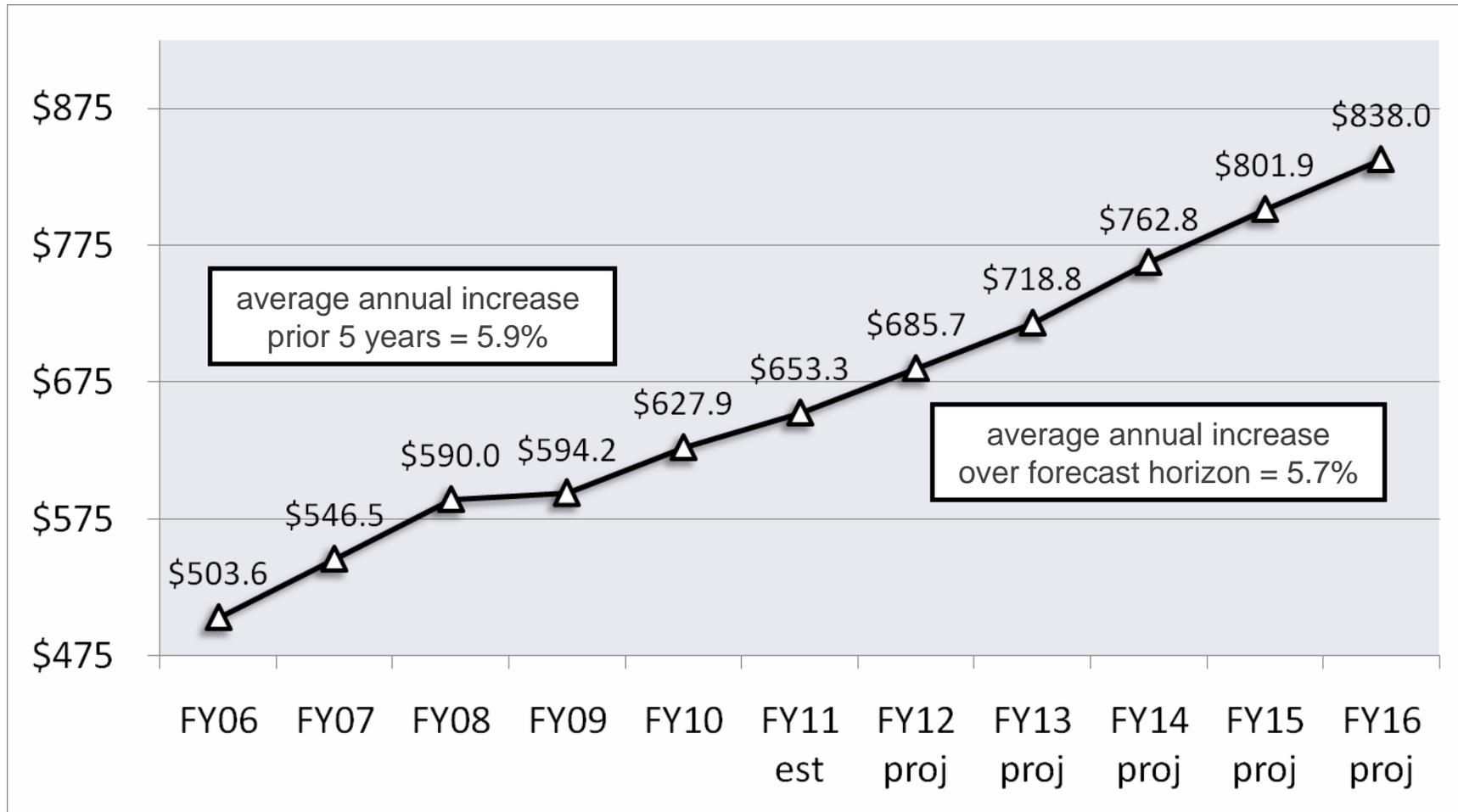
- \$1.2 million increase in 2012 – primarily related to increased collections in Emergency Medical Services

➤ Interest and Other

- \$0.6 million drop projected in 2012
- modest increases projected for 2013-2016



Revenue Forecast





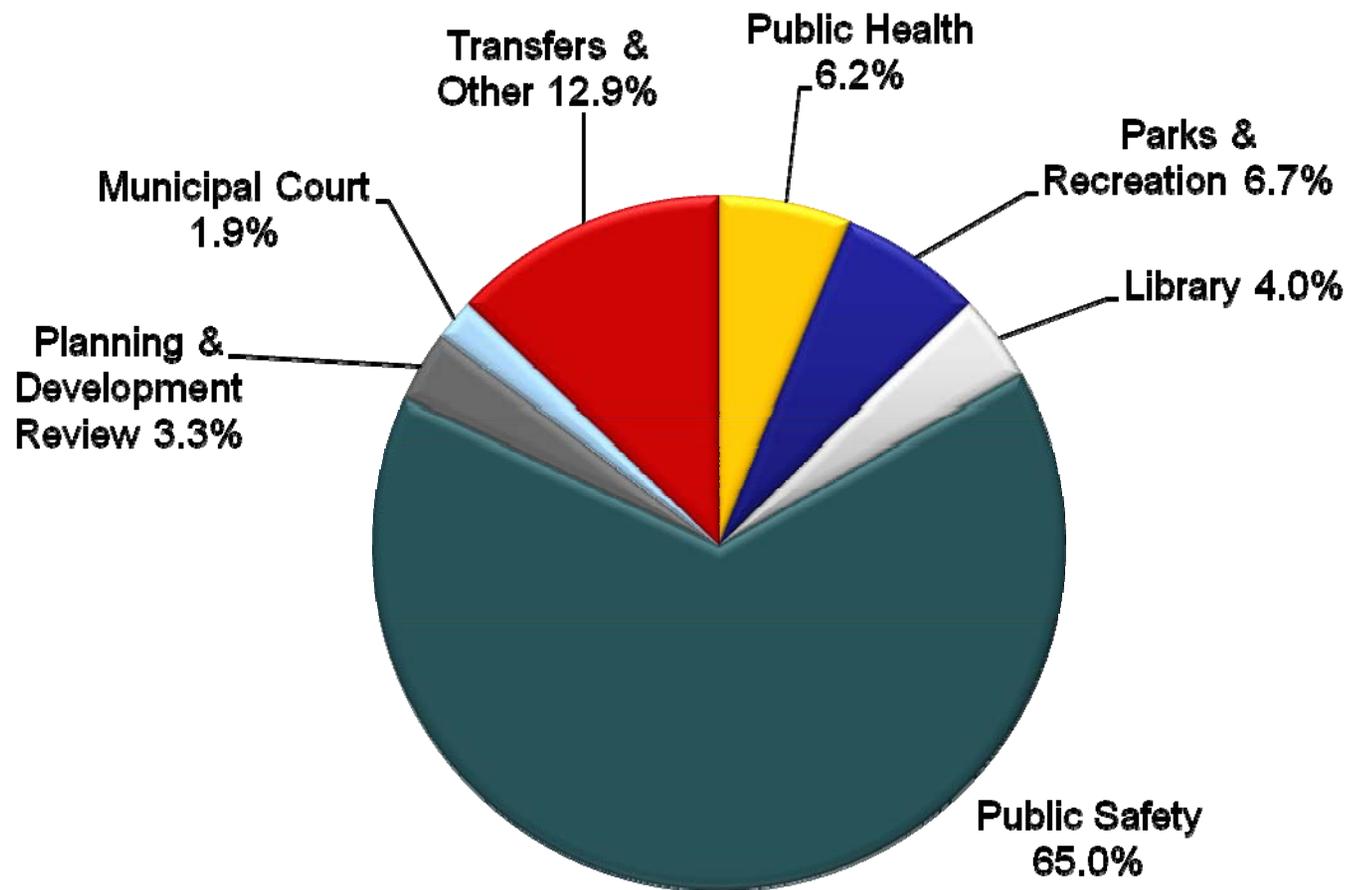
City of Austin Financial Forecast

General Fund Expenditures



General Fund – Uses of Funds

Fiscal Year 2011 Amended Budget – \$651.6 Million





Expenditure Assumptions

- Basic expenditure projections
 - forecast assumes existing programs and service levels maintained
- Funding for all currently authorized FTEs
 - personnel costs have been reduced to reflect anticipated vacancy savings resulting from normal attrition
- Employee wage increases
 - 3.0% annually for sworn police, fire, and EMS employees
 - 3.0% annually for civilian employees
- Supplemental funding for employee retirement systems
 - 1% annually in 2012 & 2013 for sworn police
 - 1% annually in 2012 & 2013 for sworn fire; additional 1% September 2013
 - 2% annually in 2012 & 2013 for civilian employees



Expenditure Assumptions

- Annual increases in City health insurance costs of 10%
- Inflationary increases for fuel and other commodities
- Annualized cost of positions added in FY 2011
- Continuation of Council staffing policies
 - 2.0 officers per 1,000 (47 officers in FY 2012)
- Implementation of remaining phases of Digital Vehicular Video project
 - 9 FTEs and annual O & M cost of \$1.8 million
 - upcoming Council agenda item
- Additional funding for live outcomes/no kill plan and relocation to new animal care facility

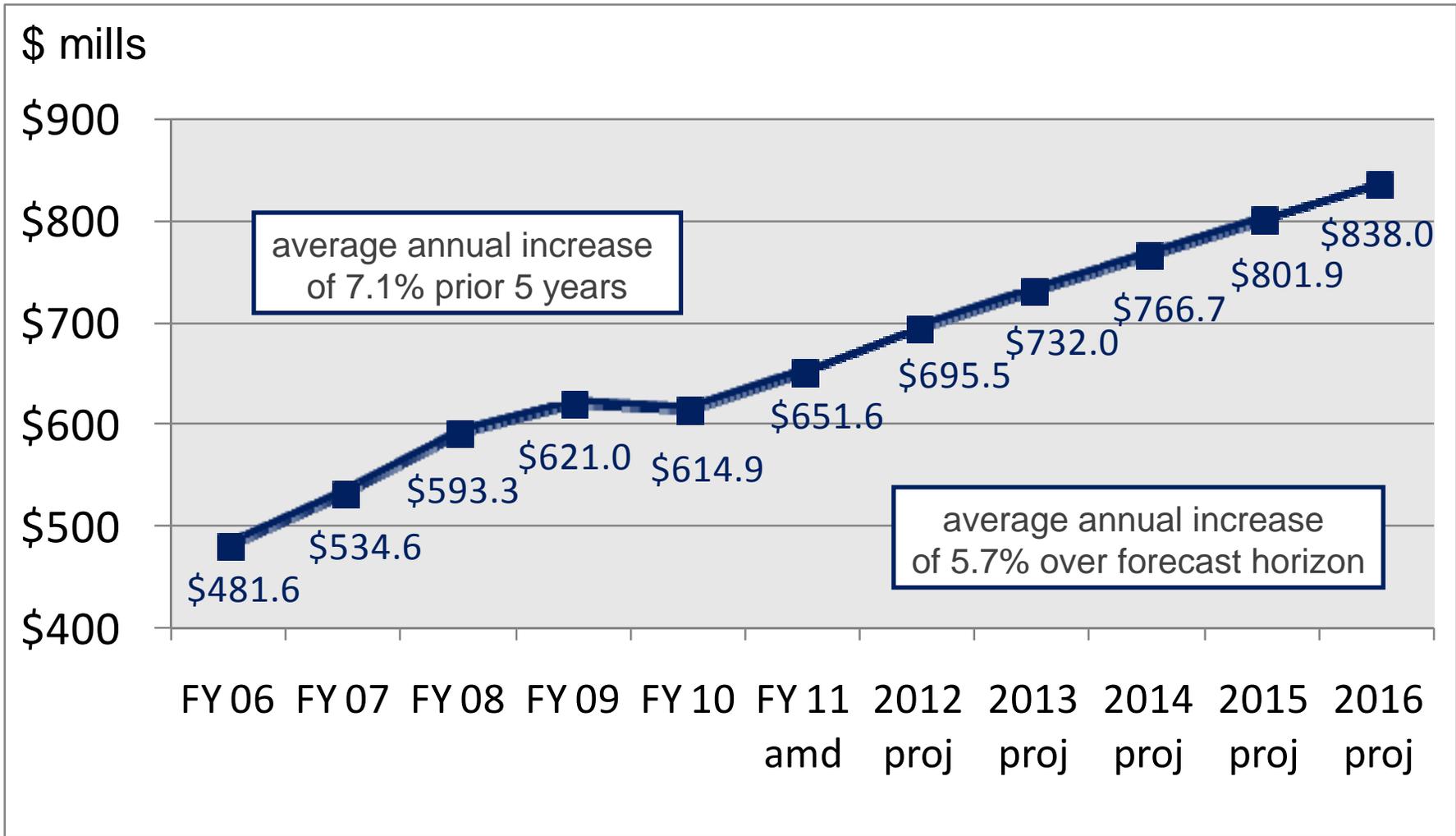


FY 2012 Cost Drivers

<u>Category</u>	<u>Estimated Increases</u>	<u>Justification</u>
Uniformed Personnel	\$22.5	<ul style="list-style-type: none"> * police, fire & EMS contracts / provisions * police & fire step / longevity * 2.0 officers per 1000 - police * annualized costs of positions added FY 2011 * health insurance
Non-Uniformed Personnel	\$9.6	<ul style="list-style-type: none"> * civilian wage adjustments * supplemental pension funding * implementation of live outcomes/no kill plan * health insurance
Other Departmental Costs	\$4.5	<ul style="list-style-type: none"> * outside contract increases * opening of new animal care facility * fleet fuel and maintenance * Implementation of div project * other miscellaneous commodities
Transfers / Other Requirements	\$7.4	<ul style="list-style-type: none"> * workers compensation * liability reserve * support services fund * communication & technology * economic incentives
Totals	\$44.0	



Budget Forecast



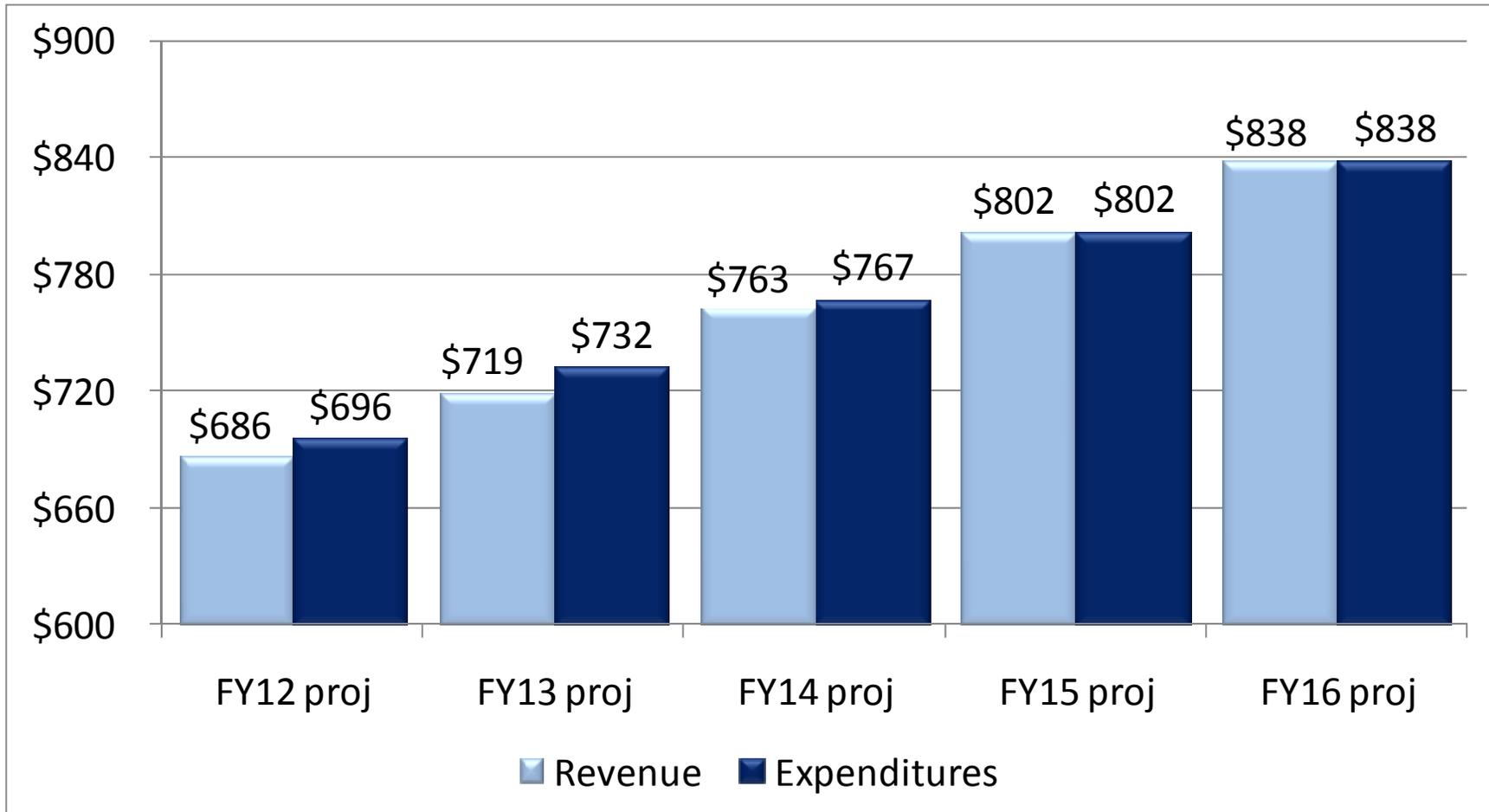


City of Austin Financial Forecast

Conclusions



Revenue to Expenditures





Other Factors – Revenue Uncertainty

- S.B. 720 – caps growth in O&M tax rate at 5%
 - exceptions for public safety
 - potential impact: \$9.2 million

- H.B. 1 – reduces cities share of mixed beverage tax
 - estimated impact: \$1.4 million

- State and Federal budget deficits create uncertainty at the local level – potential loss of State and Federal grant funds
 - CDBG – FY 2011 allocation = \$8.2 million
 - CSBG – FY 2011 allocation = \$0.9 million
 - Loan Star Libraries – FY 2011 allocation = \$0.3 million

- Will continue to monitor and report back to Council as more information becomes available



Other Factors – Unmet Service Demands

- Department requests total \$15 million and 165 FTEs
- Highlights include:
 - maintenance of parks and park facilities
 - operations of the animal services center
 - enhanced security at City parks and libraries
 - police department support staffing
 - inspections of fire personal protective equipment
 - fire prevention activities
 - 911 call takers
 - emergency medical services downtown demand unit
 - staffing needs related to an increasing Municipal Court workload
 - staffing of the one stop shop



Conclusions

- **Basic expenditure projections**
 - forecast assumes existing programs and service levels maintained
 - staffing increases limited to annexations, opening of new facilities and previously approved Council policies
 - \$15 million of unmet service demands not included in forecast
- **Slower overall revenue and expenditure growth projected over forecast horizon than in past years**
 - average annual increase in tax rate of 1.9 cents over forecast horizon projected to keep pace with growth in built-in cost drivers
 - potential reductions in state and federal grant funding remain a concern – will revise forecast as information becomes available
- **\$9.8 million shortfall projected for FY 2012**
 - assumes a 3 cent increase in the tax rate



Budget Timeline & Next Steps

April 26, 27	Presentation of Major Enterprise Fund Forecasts
May	Boards and Commissions Budget Meetings
May 11	Publication of Menu of Potential Budget Reductions
May-June	Public Input and Budget Development
July 27	Proposed Budget Presented to City Council
August 17, 24	Budget Work Sessions
August 25/Sept 1	Budget & Tax Rate Hearings
September 12-14	Council Adopts Budget & Tax Rate



Questions / Comments

more information available at:

www.cityofaustin.org/finance

GENERAL FUND

The General Fund is the general operating fund for the City of Austin. It includes eight departments that provide direct programs, activities and services to the citizens of Austin as well as to surrounding communities. These departments include Municipal Court, Planning and Development Review, Police, Fire, Emergency Medical Services, Health & Human Services, Parks & Recreation and Library.

REVENUE SUMMARY

The General Fund collects 83% of its funding from four sources: property tax, sales tax, transfers in, and development. Property taxes are a result of the tax rate per \$100 of property valuation. Sales tax collections are 1% of the sale of taxable goods and services in the City of Austin. Transfers into the General Fund are received from the electric and water utilities. Development revenue results from single and multi-family residential and commercial building activity. The remaining 17% is comprised of franchise fees, fines, forfeitures, penalties, licenses, permits, inspections, charges for services and interest.

REVENUE ASSUMPTIONS

- Property tax revenue projections assume the following:

Tax Rates

Fiscal Year	Tax Rate	Tax Rate Assumption
2011-12	48.76 cents	at Rollback
2012-13	50.45 cents	at Rollback
2013-14	52.72 cents	at Rollback
2014-15	54.33 cents	0.85 cents below Rollback
2015-16	55.05 cents	1.96 cents below Rollback

Property tax valuation declines of 0.2% in FY 2012 increasing to 3% in FY 2013 – FY 2014 and dropping to 2.5% in FY 2015 – FY 2016.

- Sales tax growth of 3% is assumed for all 5 years of the forecast.
- Utility transfers for FY 2012 - FY 2016 are based on utility revenue trends and transfer rates of 9.1% for the Electric Utility and 8.2% for the Water Utility.
- Development revenue is projected to increase \$1.0 million in FY 2012, increase \$0.5 million in each of the next two years and relatively flat for the remainder of the forecast.

EXPENDITURES SUMMARY

Forecast projections show that expenditure requirements will exceed revenue projections. Personnel costs continue to be the main base requirement driving the increase in total expenditures and make up 79.8% of the total current year General Fund Budget. The main factors impacting personnel costs are public safety contracts, including step and longevity, 2.0 officers per 1000 population, and health insurance.

Other base requirements in the five year forecast period include the annualized cost of items added in FY 2011 such as 10 firefighter positions for 4 person staffing, 30 paramedic positions added for Avery Ranch, Harrisglenn and Harris Branch, 48 police positions for 2.0 per 1000 population and the new "no kill" policy at the animal shelter.

Finally, the forecast includes other expenditure increases for obligations such as cost increases for the jail contract and other miscellaneous contracts. Requirements for transfers out to other funds such as workers' compensation, liability reserve, accrued payroll, Support Services Fund and Communications & Technology Management Fund are also included.

EXPENDITURE ASSUMPTIONS

BASE BUDGET

- Maintain funding to meet current service levels
 - Public Health & Safety
 - Parks Programs & Library Services
 - Permitting, Review & Inspection
 - Planning & Zoning

BASE INCREASES

- Outside contract increases
- Annualized costs of items added in FY 2011
- Other miscellaneous adjustments to commodities

PERSONNEL INCREASES

- Includes funding for Police, Fire & EMS contracts @ 3% each year
- Includes Police & Fire 1% annual increase to retirement systems
 - Adds additional 1% September 2013 for Fire
- Includes funding for all other employees 3.0% each year
- Health insurance increase of 10% each year
- Additional 2% supplemental pension funding in FY 2012 – FY 2013

General Fund Five Year Forecast

(millions)

	Amended 2010-11	Estimated 2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
BEGINNING BALANCE	0.0	0.0	0.0	(9.8)	(23.0)	(26.9)	(26.9)
REVENUE							
Property Tax	247.6	247.6	271.5	295.8	325.8	349.6	366.8
Sales Tax	148.3	148.3	152.7	157.3	162.0	166.9	171.9
Franchise Fees	35.1	34.8	35.3	35.8	36.4	37.0	37.6
Development Fees	7.6	8.6	9.6	10.1	10.6	10.6	10.6
Other Revenue	77.8	78.5	80.5	83.0	85.5	88.1	90.8
TOTAL REVENUE	516.4	517.8	549.6	581.9	620.3	652.2	677.7
Transfers In	135.5	135.5	136.1	136.9	142.6	149.8	160.4
TOTAL AVAILABLE FUNDS	651.9	653.3	685.7	718.8	762.8	801.9	838.0
REQUIREMENTS							
Administrative Services	12.4	12.4	13.0	13.4	13.8	14.4	15.0
Urban Growth Management	21.2	19.9	22.1	22.9	23.8	24.6	25.3
Public Safety	424.1	421.7	452.0	474.3	496.0	517.0	538.9
Heath & Human Services	40.2	40.4	41.6	42.1	42.9	45.0	47.3
Public Recreation & Culture	69.4	69.4	72.3	74.8	77.6	80.7	84.0
TOTAL DEPARTMENT EXPENDITURES	567.3	563.9	600.9	627.5	654.1	681.7	710.5
TOTAL TRANSFERS OUT	55.0	55.0	60.4	65.9	71.7	77.2	82.2
TOTAL OTHER REQUIREMENTS	29.3	29.3	34.2	38.7	40.8	43.0	45.4
TOTAL REQUIREMENTS	651.6	648.2	695.5	732.0	766.7	801.9	838.0
EXCESS (DEFICIENCY) OF TOTAL AVAILABLE FUNDS							
OVER TOTAL REQUIREMENTS	0.3	5.1	(9.8)	(13.2)	(3.8)	0.0	0.0
ENDING BALANCE	0.0	0.0	(9.8)	(23.0)	(26.9)	(26.9)	(26.9)